

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Filing at a Glance

Company: Allstate Property and Casualty Insurance Company
Product Name: APC HO Rate Change
State: Arkansas
TOI: 04.0 Homeowners
Sub-TOI: 04.0003 Owner Occupied Homeowners
Filing Type: Rate/Rule
Date Submitted: 05/28/2014
SERFF Tr Num: ALSE-129545044
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: R26787

Effective Date
Requested (New):
Effective Date 10/09/2014
Requested (Renewal):
Author(s): Andi Colosi
Reviewer(s): Becky Harrington (primary)
Disposition Date: 07/28/2014
Disposition Status: Filed
Effective Date (New):
Effective Date (Renewal): 10/09/2014

State Filing Description:

State: Arkansas
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Filing Company: Allstate Property and Casualty Insurance Company

General Information

Project Name: Rate Change (19.0%)

Project Number: 1650527

Reference Organization:

Reference Title:

Filing Status Changed: 07/28/2014

State Status Changed:

Created By: Andi Colosi

Corresponding Filing Tracking Number:

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Submitted By: Andi Colosi

Filing Description:

With this filing, Allstate is proposing an overall 19.0% rate change to the Allstate Property and Casualty Insurance Company (AP&C) Owners program in the state of Arkansas.

Allstate is also proposing revisions to the following rating plans: Claim Rating Factors and Town Class Factors. The overall rate level change has been achieved through revision of the Rate Adjustment Factors. Further information regarding these changes can be found in the enclosed attachments.

This change will apply to renewals processed on or after 8/25/2014 for renewals effective on or after 10/9/2014.

Company and Contact

Filing Contact Information

Andi Colosi, Assistant State Filings
Manager

2775 Sanders Road

Suite A2-W

Northbrook, IL 60062

andi.colosi@allstate.com

847-402-5000 [Phone] 21839 [Ext]

847-402-9757 [FAX]

Filing Company Information

Allstate Property and Casualty
Insurance Company

2775 Sanders Rd.

Suite A2-W

Northbrook, IL 60062

(847) 402-5000 ext. [Phone]

CoCode: 17230

Group Code: 8

Group Name: Allstate

FEIN Number: 36-3341779

State of Domicile: Illinois

Company Type: Property and
Casualty

State ID Number:

Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation:
Per Company: No

SERFF Tracking #: ALSE-129545044

State Tracking #:

Company Tracking #: R26787

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

| Company | Amount | Date Processed | Transaction # |
|--|----------|----------------|---------------|
| Allstate Property and Casualty Insurance Company | \$100.00 | 05/28/2014 | 82608631 |

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Correspondence Summary

Dispositions

| Status | Created By | Created On | Date Submitted |
|--------|------------------|------------|----------------|
| Filed | Becky Harrington | 07/28/2014 | 07/28/2014 |

Objection Letters and Response Letters

Objection Letters

| Status | Created By | Created On | Date Submitted |
|---------------------------|------------------|------------|----------------|
| Pending Industry Response | Becky Harrington | 07/02/2014 | 07/02/2014 |
| No response necessary | Becky Harrington | 06/11/2014 | 06/11/2014 |
| Pending Industry Response | Becky Harrington | 05/30/2014 | 05/30/2014 |

Response Letters

| Responded By | Created On | Date Submitted |
|---------------|------------|----------------|
| Andi Colosi | 07/25/2014 | 07/25/2014 |
| Claire Hunter | 06/06/2014 | 06/06/2014 |

Amendments

| Schedule | Schedule Item Name | Created By | Created On | Date Submitted |
|---------------------|---------------------------------------|---------------|------------|----------------|
| Supporting Document | Confidential Supporting Documentation | Claire Hunter | 06/06/2014 | 06/06/2014 |
| Supporting Document | Supporting Documentation | Claire Hunter | 06/06/2014 | 06/06/2014 |

Filing Notes

| Subject | Note Type | Created By | Created On | Date Submitted |
|--------------------------------------|------------------|------------------|------------|----------------|
| Response to 7/3/14 NtR | Note To Filer | Becky Harrington | 07/09/2014 | 07/09/2014 |
| Amendment request/objection response | Note To Reviewer | Andi Colosi | 07/03/2014 | 07/03/2014 |

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Disposition

Disposition Date: 07/28/2014
Effective Date (New):
Effective Date (Renewal): 10/09/2014
Status: Filed

Comment:

| Company Name: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | Number of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): |
|--|-----------------------------|------------------------|--|---|-----------------------------------|---------------------------------|---------------------------------|
| Allstate Property and Casualty Insurance Company | 21.300% | 10.000% | \$3,763,722 | 27,858 | \$37,637,223 | 24.400% | 8.400% |

| Schedule | Schedule Item | Schedule Item Status | Public Access |
|-------------------------------|---|----------------------|---------------|
| Supporting Document | Form RF-2 Loss Costs Only (not for workers' compensation) | | Yes |
| Supporting Document | H-1 Homeowners Abstract | Filed | Yes |
| Supporting Document (revised) | HPCS-Homeowners Premium Comparison Survey | Filed | Yes |
| Supporting Document | HPCS-Homeowners Premium Comparison Survey | | Yes |
| Supporting Document (revised) | NAIC loss cost data entry document | Filed | Yes |
| Supporting Document | NAIC loss cost data entry document | | Yes |
| Supporting Document | Actuarial Support | Filed | Yes |
| Supporting Document | Confidential Supporting Documentation | Filed | No |
| Supporting Document | Supporting Documentation | Filed | Yes |
| Supporting Document | Supporting Documentation - 7/25/14 Amendment | Filed | Yes |
| Rate | CheckingList | Filed | Yes |
| Rate (revised) | ManualR26787A#1 | Filed | Yes |
| Rate | ManualR26787 | | Yes |
| Rate | CheckingListA#1 | Filed | Yes |

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 07/02/2014 |
| Submitted Date | 07/02/2014 |
| Respond By Date | |

Dear Andi Colosi,

Introduction:

This requested increase has been reviewed by the Commissioner.

Please amend the overall increase amount to 10%.

Conclusion:

NOTICE regarding, corrections to filings and scrivener's Errors:

Arkansas does not allow the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

Sincerely,

Becky Harrington

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Objection Letter

| | |
|-------------------------|-----------------------|
| Objection Letter Status | No response necessary |
| Objection Letter Date | 06/11/2014 |
| Submitted Date | 06/11/2014 |
| Respond By Date | |

Dear Andi Colosi,

Introduction:

This will acknowledge receipt of the recent response.

This filing is being referred to the Commissioner for review due to the requested increase amount being greater than 6%. Please do not respond at this time.

Conclusion:

NOTICE regarding, corrections to filings and scrivener's Errors:

Arkansas does not allow the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

Sincerely,

Becky Harrington

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 05/30/2014 |
| Submitted Date | 05/30/2014 |
| Respond By Date | |

Dear Andi Colosi,

Introduction:

This will acknowledge receipt of the captioned filing.

Objection 1

- Actuarial Support (Supporting Document)

Comments: Please provide an explanation for the changes being applied to the town class factors given the loss ratio for classes 1-6 is 58.5% and 7-10 is 38.4%.

Objection 2

Comments: Please provide estimated loss amounts for this company only from the April 27 tornadoes to help support the requested increase.

Conclusion:

NOTICE regarding, corrections to filings and scrivener's Errors:

Arkansas does not allow the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,

Becky Harrington

| | | | |
|----------------------|---|-----------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 07/25/2014 |
| Submitted Date | 07/25/2014 |

Dear Becky Harrington,

Introduction:

Hi Becky: Thanks again for your help with this filing and your patience as we made our amendment. Please see our response below and let me know if you need anything else!

Have a good weekend,
Andi

Response 1

Comments:

In compliance with the Arkansas Insurance Departments request, Allstate will amend the filing to be an overall rate increase of 10.0%. In order to achieve an overall 10.0% rate increase, Allstate is revising the Rate Adjustment Factors, Town Class factors, and Claim Rating factors. Please see the attached Actuarial Support, revised Manual Pages, Checking List, revised form HPCS, and RF-1 Rate Filing Abstract for additional support.

This amended filing will apply to renewals processed on or after 8/25/2014 for renewals effective on or after 10/9/2014.

Changed Items:

| Supporting Document Schedule Item Changes | |
|---|--|
| Satisfied - Item: | HPCS-Homeowners Premium Comparison Survey |
| Comments: | |
| Attachment(s): | 3. R26787 HO Survey FORM HPCS.pdf 3. R26787 HO Survey FORM HPCS.xls |
| Previous Version | |
| Satisfied - Item: | HPCS-Homeowners Premium Comparison Survey |
| Comments: | |
| Attachment(s): | HO_Survey_FORM_HPCS.xls HO_Survey_FORM_HPCS.pdf |

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

| Supporting Document Schedule Item Changes | |
|---|--|
| Satisfied - Item: | HPCS-Homeowners Premium Comparison Survey |
| Comments: | |
| Attachment(s): | 3. R26787 HO Survey FORM HPSCS.pdf 3. R26787 HO Survey FORM HPSCS.xls |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>HPCS-Homeowners Premium Comparison Survey</i> |
| Comments: | |
| Attachment(s): | <i>HO_Survey_FORM_HPSCS.xls HO_Survey_FORM_HPSCS.pdf</i> |

| | |
|--------------------------|--|
| Satisfied - Item: | NAIC loss cost data entry document |
| Comments: | |
| Attachment(s): | 4. R26787 FORM RF-1 Rate Filing Abstract.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>NAIC loss cost data entry document</i> |
| Comments: | |
| Attachment(s): | <i>FORM_RF-1_Rate_Filing_Abstract.pdf</i> |

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

| Supporting Document Schedule Item Changes | |
|---|--|
| Satisfied - Item: | HPCS-Homeowners Premium Comparison Survey |
| Comments: | |
| Attachment(s): | 3. R26787 HO Survey FORM HPCS.pdf 3. R26787 HO Survey FORM HPCS.xls |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>HPCS-Homeowners Premium Comparison Survey</i> |
| Comments: | |
| Attachment(s): | <i>HO_Survey_FORM_HPCS.xls HO_Survey_FORM_HPCS.pdf</i> |

| | |
|--------------------------|--|
| Satisfied - Item: | NAIC loss cost data entry document |
| Comments: | |
| Attachment(s): | 4. R26787 FORM RF-1 Rate Filing Abstract.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>NAIC loss cost data entry document</i> |
| Comments: | |
| Attachment(s): | <i>FORM_RF-1_Rate_Filing_Abstract.pdf</i> |

| | |
|--------------------------|--|
| Satisfied - Item: | Supporting Documentation - 7/25/14 Amendment |
| Comments: | |
| Attachment(s): | 1. R26787 Attachment I Actuarial Support exh 1.pdf |

No Form Schedule items changed.

| Rate Schedule Item Changes | | | | | |
|----------------------------|-----------------|------------------|-------------|------------------------------|-------------------------------|
| Item No. | Exhibit Name | Rule # or Page # | Rate Action | Previous State Filing Number | Date Submitted |
| 1 | ManualR26787A#1 | | Replacement | | 07/25/2014 By: Andi Colosi |
| <i>Previous Version</i> | | | | | |
| 1 | ManualR26787 | | Replacement | | 05/28/2014 By: Andi Colosi |
| 2 | CheckingListA#1 | | New | | 07/25/2014 By: Andi Colosi |

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Conclusion:

Sincerely,
Andi Colosi

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 06/06/2014 |
| Submitted Date | 06/06/2014 |

Dear Becky Harrington,

Introduction:

Thank you for your review of this filing. Please find our objection responses attached on the "Supporting Documentation" tab.

Response 1

Comments:

Please reference the "Supporting Documentation" tab.

Related Objection 1

Applies To:

- Actuarial Support (Supporting Document)

Comments: Please provide an explanation for the changes being applied to the town class factors given the loss ratio for classes 1-6 is 58.5% and 7-10 is 38.4%.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 2

Comments:

Please reference the "Supporting Documentation" tab.

Related Objection 2

Comments: Please provide estimated loss amounts for this company only from the April 27 tornadoes to help support the requested increase.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Claire Hunter

| | | | |
|----------------------|---|-----------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Amendment Letter

Submitted Date: 06/06/2014

Comments:

Please see the supporting documentation intended to be included with the objection letter submitted on June 6, 2014 at 2:55 PM CST.

Thank you.

Changed Items:

No Form Schedule Items Changed.

No Rate Schedule Items Changed.

| Supporting Document Schedule Item Changes | |
|---|---------------------------------------|
| Satisfied - Item: | Confidential Supporting Documentation |
| Comments: | |
| Attachment(s): | Objection Responses Confidential.pdf |
| Satisfied - Item: | Supporting Documentation |
| Comments: | |
| Attachment(s): | Objection Responses.pdf |

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Note To Filer

Created By:

Becky Harrington on 07/09/2014 07:50 AM

Last Edited By:

Becky Harrington

Submitted On:

07/28/2014 06:29 AM

Subject:

Response to 7/3/14 NtR

Comments:

Andi,

No problem, again I apologize for the delay on my part.

Thanks,

Becky

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Note To Reviewer

Created By:

Andi Colosi on 07/03/2014 11:34 AM

Last Edited By:

Becky Harrington

Submitted On:

07/28/2014 06:29 AM

Subject:

Amendment request/objection response

Comments:

Hi Becky: I just wanted to let you know that we are planning to amend our filing to an overall 10% as requested in yesterday's objection letter. It may take us a week or two to get everything updated, but I will send the info on as a formal response as soon as I have it.

If you need anything in the meantime, please let me know.

Thanks so much- have a great 4th of July weekend!

Andi

State: Arkansas **Filing Company:** Allstate Property and Casualty Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: APC HO Rate Change
Project Name/Number: Rate Change (19.0%)/1650527

Post Submission Update Request Processed On 07/28/2014

Status: Allowed
Created By: Andi Colosi
Processed By: Becky Harrington
Comments:

Company Rate Information:

Company Name: Allstate Property and Casualty Insurance Company

| Field Name | Requested Change | Prior Value |
|---|------------------|-------------|
| Overall % Rate Impact | 10.000% | 19.000% |
| Written Premium Change for this Program | \$3763722 | \$7151072 |
| Maximum %Change (where required) | 24.400% | 24.500% |
| Minimum %Change (where required) | 8.400% | 13.800% |

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Rate Information

Rate data applies to filing.

| | |
|--|--------------|
| Filing Method: | File and Use |
| Rate Change Type: | Increase |
| Overall Percentage of Last Rate Revision: | 5.000% |
| Effective Date of Last Rate Revision: | 08/19/2013 |
| Filing Method of Last Filing: | File and Use |

Company Rate Information

| Company Name: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | Number of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): |
|--|-----------------------------|------------------------|--|---|-----------------------------------|---------------------------------|---------------------------------|
| Allstate Property and Casualty Insurance Company | 21.300% | 10.000% | \$3,763,722 | 27,858 | \$37,637,223 | 24.400% | 8.400% |

| | | | |
|----------------------|---|-----------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Rate/Rule Schedule

| Item No. | Schedule Item Status | Exhibit Name | Rule # or Page # | Rate Action | Previous State Filing Number | Attachments |
|----------|----------------------|-----------------|------------------|-------------|------------------------------|--|
| 1 | Filed 07/28/2014 | CheckingList | | New | | CheckingList_-_R26787.pdf |
| 2 | Filed 07/28/2014 | ManualR26787A#1 | | Replacement | | 6. R26787 Manual - R26787 A#1.pdf |
| 3 | Filed 07/28/2014 | CheckingListA#1 | | New | | 5. R26787CheckingList - R26787 A#1.pdf |

CHECKING LIST FOR HOMEOWNERS

Printing dates are shown on each page to facilitate identification of different editions, but have no direct connection with the effective date of the page.

RULES

Enclosed: Page HOPC16-1 dated 8-1-2014
Page HOPC25-1 dated 8-1-2014

Withdrawn: Page HOPC16-1 dated 10-1-2005
Page HOPC25-1 dated 10-1-2005

RATE FACTOR PAGES

Enclosed: Page RFP-2 dated 8-1-2014
Page RFP-4 through RFP-7 dated 8-1-2014

Withdrawn: Page RFP-2 dated 6-3-2009
Page RFP-4 dated 8-2-2013
Page RFP-5 through RFP-7 dated 6-3-2009

RULE 16 - 55 AND RETIRED DISCOUNT

If the following criteria are met, multiply the otherwise applicable package premium by the factor displayed on the Rate Factor Pages.

1. One of the Named Insureds must be age 55 or older.
2. Both the Named Insured and Spouse, if any, are not presently gainfully employed full time or actively seeking full time gainful employment.
3. The insured premises must be the principal residence of the applicant.

Note: This discount is not applicable to dwellings in the course of construction.

RULE 25 - CLAIM RATING

A factor (as shown in the Rate Factor Pages) will be applied to the otherwise applicable package premium based on a policyholder's chargeable claim experience. Determination of the chargeability of claims and reclassification due to the time elapsed since claims became chargeable will occur at each renewal.

Definition of a Qualifying Company: A Qualifying Company is defined as Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Allstate Fire and Casualty Insurance Company, Castle Key Insurance Company, Castle Key Indemnity Company, Allstate County Mutual Insurance Company, and Allstate Texas Lloyd's.

Administration of claim rating:

Claim Rating Factors: The rating criteria utilized on the tables are as follows:

1. Number of claims
2. Claim type:
 - Group A:
 - Fire - fire, explosion, smoke (excluding lightning).
 - Theft – theft (on and off premises), mysterious disappearance (on and off premises), burglary, credit card fidelity, theft from an unattended vehicle.
 - Liability – any type of liability (excluding medical payments).
 - Vandalism – vandalism and malicious mischief, riot and civil commotion.
 - Group B:
 - All Other Claims – excluding the following types of claims: medical payments, worker's compensation, mine subsidence, earthquake, Allstate Scheduled Personal Property, and those claim types listed in Group A and C.
 - Group C:
 - Water – water, freeze, and water backup. Note: only those water claims identified for claim rating that were not previously assigned to Group B.
3. Rating Group as defined in Rule 24

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

1C Town Class Factor:

| <u>T/C</u> <u>Group</u> | <u>Town Class</u> | <u>Construction</u> | |
|----------------------------|-------------------|---------------------|--------------|
| | | <u>Brick</u> | <u>Frame</u> |
| 1 | 1 | 0.830 | 1.000 |
| | 2 | 0.900 | 1.010 |
| | 3 | 0.910 | 1.010 |
| | 4 | 0.920 | 1.030 |
| | 5 | 0.920 | 1.080 |
| | 6 | 0.930 | 1.120 |
| | 7 | 1.059 | 1.305 |
| | 8 | 1.091 | 1.402 |
| | 9 | 1.188 | 1.412 |
| | 10 | 1.241 | 1.445 |

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

2 Rate Adjustment Factor:

Factor: 2.4522

3 Claim Rating Factor:

To calculate the claim rating factor for additional B claims or C claims, start with the factor for Group A claims and Total of Group B and C claims factor and multiply it by the factor for Each Additional B or C claim located below the table (round to 3 decimal places). Note that the factors will be different for each rating group table.

Example using Rating Group 1:

0 Group A claims, 0 B claim & 2 C claim factor: 0.489
Each additional B claim factor: 1.000
Each additional C claim factor: 1.190
Resulting claim rating factor for each additional B claim: 0.489 = 0.513 x 1.00
Resulting claim rating factor for each additional C claim: 0.582 = 0.513 x 1.19

Rating Groups 1-3

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.374 | 0.505 | 0.696 | 0.961 | 1.326 | 1.830 |
| 1 | 0 | 1 | 0.374 | 0.505 | 0.696 | 0.961 | 1.326 | 1.830 |
| 1 | 1 | 0 | 0.411 | 0.555 | 0.766 | 1.057 | 1.459 | 1.850 |
| 2 | 0 | 2 | 0.374 | 0.505 | 0.696 | 0.961 | 1.326 | 1.830 |
| 2 | 1 | 1 | 0.411 | 0.555 | 0.766 | 1.057 | 1.459 | 1.850 |
| 2 | 2 | 0 | 0.489 | 0.661 | 0.912 | 1.258 | 1.736 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 4-6

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.430 | 0.580 | 0.801 | 1.105 | 1.525 | 1.850 |
| 1 | 0 | 1 | 0.430 | 0.580 | 0.801 | 1.105 | 1.525 | 1.850 |
| 1 | 1 | 0 | 0.473 | 0.638 | 0.881 | 1.216 | 1.678 | 1.850 |
| 2 | 0 | 2 | 0.430 | 0.580 | 0.801 | 1.105 | 1.525 | 1.850 |
| 2 | 1 | 1 | 0.473 | 0.638 | 0.881 | 1.216 | 1.678 | 1.850 |
| 2 | 2 | 0 | 0.563 | 0.760 | 1.048 | 1.447 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 7-9

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.458 | 0.618 | 0.853 | 1.177 | 1.625 | 1.850 |
| 1 | 0 | 1 | 0.458 | 0.618 | 0.853 | 1.177 | 1.625 | 1.850 |
| 1 | 1 | 0 | 0.504 | 0.680 | 0.938 | 1.295 | 1.787 | 1.850 |
| 2 | 0 | 2 | 0.458 | 0.618 | 0.853 | 1.177 | 1.625 | 1.850 |
| 2 | 1 | 1 | 0.504 | 0.680 | 0.938 | 1.295 | 1.787 | 1.850 |
| 2 | 2 | 0 | 0.599 | 0.809 | 1.117 | 1.541 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

3 cont. Claim Rating Factor:

Rating Groups 10-12

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.505 | 0.681 | 0.940 | 1.298 | 1.791 | 1.850 |
| 1 | 0 | 1 | 0.505 | 0.681 | 0.940 | 1.298 | 1.791 | 1.850 |
| 1 | 1 | 0 | 0.555 | 0.749 | 1.034 | 1.427 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.505 | 0.681 | 0.940 | 1.298 | 1.791 | 1.850 |
| 2 | 1 | 1 | 0.555 | 0.749 | 1.034 | 1.427 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.661 | 0.892 | 1.231 | 1.698 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 13-15

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.561 | 0.757 | 1.045 | 1.442 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.561 | 0.757 | 1.045 | 1.442 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.617 | 0.833 | 1.149 | 1.586 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.561 | 0.757 | 1.045 | 1.442 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.617 | 0.833 | 1.149 | 1.586 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.734 | 0.991 | 1.367 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 16-18

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.608 | 0.820 | 1.132 | 1.562 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.608 | 0.820 | 1.132 | 1.562 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.668 | 0.902 | 1.245 | 1.718 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.608 | 0.820 | 1.132 | 1.562 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.668 | 0.902 | 1.245 | 1.718 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.795 | 1.074 | 1.481 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

3 cont. Claim Rating Factor:

Rating Groups 19-21

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.730 | 0.986 | 1.360 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.730 | 0.986 | 1.360 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.803 | 1.084 | 1.496 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.730 | 0.986 | 1.360 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.803 | 1.084 | 1.496 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.956 | 1.290 | 1.780 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 22-24

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.820 | 1.107 | 1.528 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.820 | 1.107 | 1.528 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.902 | 1.218 | 1.680 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.820 | 1.107 | 1.528 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.902 | 1.218 | 1.680 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 1.073 | 1.449 | 1.850 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 25-27

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.880 | 1.188 | 1.639 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.880 | 1.188 | 1.639 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.968 | 1.307 | 1.803 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.880 | 1.188 | 1.639 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.968 | 1.307 | 1.803 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 1.152 | 1.555 | 1.850 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES

Order in
Calculation

3 cont. Claim Rating Factor:

Rating Groups 28-30

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 1.000 | 1.350 | 1.850 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 1.000 | 1.350 | 1.850 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 1.100 | 1.485 | 1.850 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 1.000 | 1.350 | 1.850 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 1.100 | 1.485 | 1.850 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 1.309 | 1.767 | 1.850 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

CHECKING LIST FOR HOMEOWNERS

Printing dates are shown on each page to facilitate identification of different editions, but have no direct connection with the effective date of the page.

RATE FACTOR PAGES

Enclosed: Page RFP-2 dated 8-2-2014
Page RFP-4 through RFP-7 dated 8-2-2014

Withdrawn: Page RFP-2 dated 8-1-2014
Page RFP-4 through RFP-7 dated 8-1-2014

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Supporting Document Schedules

| | |
|--------------------------|---------------------------------------|
| Satisfied - Item: | H-1 Homeowners Abstract |
| Comments: | |
| Attachment(s): | FORM_H-1_Homewoner's_abstract_APC.pdf |
| Item Status: | Filed |
| Status Date: | 07/28/2014 |

| | |
|--------------------------|--|
| Satisfied - Item: | HPCS-Homeowners Premium Comparison Survey |
| Comments: | |
| Attachment(s): | 3. R26787 HO Survey FORM HPCS.pdf 3. R26787 HO Survey FORM HPCS.xls |
| Item Status: | Filed |
| Status Date: | 07/28/2014 |

| | |
|--------------------------|--|
| Satisfied - Item: | NAIC loss cost data entry document |
| Comments: | |
| Attachment(s): | 4. R26787 FORM RF-1 Rate Filing Abstract.pdf |
| Item Status: | Filed |
| Status Date: | 07/28/2014 |

| | |
|--------------------------|------------------------------|
| Satisfied - Item: | Actuarial Support |
| Comments: | |
| Attachment(s): | R26787_Actuarial_Support.pdf |
| Item Status: | Filed |
| Status Date: | 07/28/2014 |

| | |
|--------------------------|--------------------------|
| Satisfied - Item: | Supporting Documentation |
| Comments: | |
| Attachment(s): | Objection Responses.pdf |
| Item Status: | Filed |
| Status Date: | 07/28/2014 |

| | |
|--------------------------|--|
| Satisfied - Item: | Supporting Documentation - 7/25/14 Amendment |
| Comments: | |
| Attachment(s): | 1. R26787 Attachment I Actuarial Support exh 1.pdf |
| Item Status: | Filed |

| | | | | | |
|-----------------------------|---|--------------------------|--|----------------------------|--------|
| SERFF Tracking #: | ALSE-129545044 | State Tracking #: | | Company Tracking #: | R26787 |
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company | | |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | | | |
| Product Name: | APC HO Rate Change | | | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | | | |
| Status Date: | 07/28/2014 | | | | |

ARKANSAS INSURANCE DEPARTMENT

FORM H-1

Rev. 4/98

HOMEOWNERS ABSTRACT

Page 1 of 2

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name Allstate Property and Casualty Insurance Company

NAIC No. 17230

Group No. 0008

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact. N/A
2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact. Allstate Property and Casualty Insurance Company uses RCT, a Marshall & Swift Boeckh Product. This began in October 2005. RCT is not used to make sure that dwellings are insured at their value. Rather, Allstate Property and Casualty Insurance Company uses the RCT tool to develop an estimate of the minimum amount for which Allstate Property and Casualty Insurance Company will insure a property.
3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used. At the point of sale, it is required that the cost estimator be completed. The new business processing application will require the agency to select a Coverage A limit equal to or greater than the RCT generated estimate.
4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact. Allstate's policy contains the Property Insurance Adjustment language. It allows for an adjustment to a policy's Coverage A limit at renewal when there has been a change in the estimated cost to replace a customer's home.
5. Specify the percentage given for credit or discounts for the following:

| | |
|---|-----------------|
| a. Fire Extinguisher | <u>3</u> % |
| b. Burglar Alarm | <u>3</u> % |
| c. Smoke Alarm | <u>3</u> % |
| d. Insured who has both homeowners and auto with your company | <u>25</u> % |
| e. Deadbolt Locks | <u>3</u> % |
| f. Window or Door Locks | <u>N/A</u> % |
| g. Other (specify) | <u> </u> % |
| Complete Central Burglar Alarm | <u>4</u> % |
| Complete Central Fire Alarm | <u>4</u> % |
| Central Home Sprinkler System | <u>4</u> % |
6. Are there any areas in the State of Arkansas in which your company will not write homeowners insurance? No
new business is written in this company.
 If so, state the areas and explain reason for not writing. Allstate Vehicle and Property Insurance Company writes new business in the state of Arkansas.
7. Specify the form(s) utilized in writing homeowner insurance. Indicate the Arkansas premium volume for each form.

| Form | Premium Volume |
|-------------------|---------------------|
| <u>Homeowners</u> | <u>\$37,637,223</u> |
8. Do you write homeowner risks which have aluminum, steel or vinyl siding? Yes, all three

9. If there is a surcharge on risks with wood heat? No
If yes, state surcharge N/A
Does the surcharge apply to conventional fire places? N/A
If yes, state surcharge N/A

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Kristin Zambreno
Signature
Pricing Technician Analyst
Title
847-402-9347
Telephone Number

NAIC Number:

17230

Company Name:

Allstate Property and Casualty Insurance Company

Contact Person:

Kristin Zambreno

Telephone No.:

847-402-9347

Email Address:

kzamc@allstate.com

Effective Date:

8.25.2014

Homeowners Premium Comparision Survey Form

FORM HPCS - last modified August, 2005

Submit to:

Arkansas Insurance Department

1200 West Third Street

Little Rock, AR 72201-1904

Telephone:

501-371-2800

Email as an attachment to:

insurance.pnc@arkansas.gov

You may also attach to a SERFF filing or submit on a cdr disk

USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE

BLANK

Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)

| Public Protection Class | Dwelling Value | Washington | | Baxter | | Craighead | | St. Francis | | Desha | | Union | | Miller | | Sebastian | | Pulaski | |
|-------------------------|----------------|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame |
| 3 | \$80,000 | \$782.28 | \$860.43 | \$938.59 | \$1,033.91 | \$938.59 | \$1,033.91 | \$967.18 | \$1,065.67 | \$676.80 | \$743.51 | \$676.80 | \$743.51 | \$904.29 | \$995.77 | \$706.03 | \$775.29 | \$737.16 | \$810.23 |
| | \$120,000 | \$958.63 | \$1,055.40 | \$1,152.17 | \$1,270.73 | \$1,152.17 | \$1,270.73 | \$1,188.05 | \$1,310.46 | \$826.61 | \$909.92 | \$826.61 | \$909.92 | \$1,109.87 | \$1,223.30 | \$863.14 | \$949.65 | \$901.59 | \$992.60 |
| | \$160,000 | \$1,110.44 | \$1,223.96 | \$1,336.82 | \$1,475.50 | \$1,336.82 | \$1,475.50 | \$1,378.10 | \$1,521.91 | \$956.30 | \$1,053.05 | \$956.30 | \$1,053.05 | \$1,287.17 | \$1,420.02 | \$998.86 | \$1,100.12 | \$1,044.01 | \$1,150.43 |
| 6 | \$80,000 | \$798.18 | \$946.21 | \$957.65 | \$1,138.74 | \$957.65 | \$1,138.74 | \$986.88 | \$1,174.32 | \$690.16 | \$816.59 | \$690.16 | \$816.59 | \$922.70 | \$1,096.17 | \$720.01 | \$852.17 | \$751.15 | \$890.30 |
| | \$120,000 | \$977.85 | \$1,162.43 | \$1,175.88 | \$1,400.82 | \$1,175.88 | \$1,400.82 | \$1,212.40 | \$1,445.69 | \$843.91 | \$1,000.92 | \$843.91 | \$1,000.92 | \$1,132.31 | \$1,348.91 | \$880.45 | \$1,045.15 | \$919.54 | \$1,092.57 |
| | \$160,000 | \$1,133.01 | \$1,348.43 | \$1,364.55 | \$1,627.71 | \$1,364.55 | \$1,627.71 | \$1,407.13 | \$1,679.29 | \$976.29 | \$1,159.45 | \$976.29 | \$1,159.45 | \$1,313.60 | \$1,566.43 | \$1,018.86 | \$1,211.70 | \$1,065.28 | \$1,267.16 |
| 9 | \$80,000 | \$999.58 | \$1,174.96 | \$1,203.54 | \$1,417.03 | \$1,203.54 | \$1,417.03 | \$1,241.04 | \$1,461.52 | \$862.33 | \$1,011.67 | \$862.33 | \$1,011.67 | \$1,158.44 | \$1,364.31 | \$899.82 | \$1,056.14 | \$939.86 | \$1,104.43 |
| | \$120,000 | \$1,228.44 | \$1,446.97 | \$1,482.20 | \$1,747.52 | \$1,482.20 | \$1,747.52 | \$1,528.35 | \$1,803.28 | \$1,057.32 | \$1,243.18 | \$1,057.32 | \$1,243.18 | \$1,425.81 | \$1,681.52 | \$1,104.10 | \$1,298.94 | \$1,154.09 | \$1,358.53 |
| | \$160,000 | \$1,425.83 | \$1,680.59 | \$1,722.50 | \$2,032.74 | \$1,722.50 | \$2,032.74 | \$1,776.04 | \$2,097.87 | \$1,225.88 | \$1,443.24 | \$1,225.88 | \$1,443.24 | \$1,656.72 | \$1,955.33 | \$1,280.71 | \$1,508.39 | \$1,338.76 | \$1,578.04 |

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

| Public Protection Class | Property Value | Washington | | Baxter | | Craighead | | St. Francis | | Arkansas | | Union | | Miller | | Sebastian | | Pulaski | |
|-------------------------|----------------|------------|-------|--------|-------|-----------|-------|-------------|-------|----------|-------|-------|-------|--------|-------|-----------|-------|---------|-------|
| | | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame |
| 3 | \$5,000 | | | | | | | | | | | | | | | | | | |
| | \$15,000 | | | | | | | | | | | | | | | | | | |
| | \$25,000 | | | | | | | | | | | | | | | | | | |
| 6 | \$5,000 | | | | | | | | | | | | | | | | | | |
| | \$15,000 | | | | | | | | | | | | | | | | | | |
| | \$25,000 | | | | | | | | | | | | | | | | | | |
| 9 | \$5,000 | | | | | | | | | | | | | | | | | | |
| | \$15,000 | | | | | | | | | | | | | | | | | | |
| | \$25,000 | | | | | | | | | | | | | | | | | | |

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

| Public Protection Class | Dwelling Value | Washington | | Baxter | | Craighead | | St. Francis | | Arkansas | | Union | | Miller | | Sebastian | | Pulaski | |
|-------------------------|----------------|------------|-------|--------|-------|-----------|-------|-------------|-------|----------|-------|-------|-------|--------|-------|-----------|-------|---------|-------|
| | | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame |
| 3 | \$80,000 | | | | | | | | | | | | | | | | | | |
| | \$120,000 | | | | | | | | | | | | | | | | | | |
| | \$160,000 | | | | | | | | | | | | | | | | | | |
| 6 | \$80,000 | | | | | | | | | | | | | | | | | | |
| | \$120,000 | | | | | | | | | | | | | | | | | | |
| | \$160,000 | | | | | | | | | | | | | | | | | | |
| 9 | \$80,000 | | | | | | | | | | | | | | | | | | |
| | \$120,000 | | | | | | | | | | | | | | | | | | |
| | \$160,000 | | | | | | | | | | | | | | | | | | |

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher

3

%

Burglar Alarm

3

%

Smoke Alarm

3

%

Deadbolt Lock

3

%

Window Locks

%

\$1,000 Deductible

5-22

%

Other (specify)

Complete Central Burglar

4

%

Maximum Credit Allowed

%

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this coverage

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?

No

(yes or no)

WHAT IS YOUR PERCENTAGE DEDUCTIBLE?

%

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?

Zone

Highest Risk

\$

Lowest Risk

\$

Brick

Frame

NAIC LOSS COST DATA ENTRY DOCUMENT

| | | |
|----|---|------------|
| 1. | This filing transmittal is part of Company Tracking # | R26787 A#1 |
|----|---|------------|

| | | |
|----|---|--|
| 2. | If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number | |
|----|---|--|

| | | | |
|----|--------------|--|---------------------|
| | Company Name | | Company NAIC Number |
| 3. | A. | Allstate Property and Casualty Insurance Company | B. 17230 |

| | | | |
|----|--|------------|---|
| | Product Coding Matrix Line of Business (i.e., Type of Insurance) | | Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance) |
| 4. | A. | Homeowners | B. Owners |

5.

| (A) COVERAGE (See Instructions) | (B) Indicated % Rate Level Change | (C) Requested % Rate Level Change | FOR LOSS COSTS ONLY | | | | |
|---------------------------------------|--|--|-------------------------------|--|--|---|---|
| | | | (D) Expected Loss Ratio | (E) Loss Cost Modification Factor | (F) Selected Loss Cost Multiplier | (G) Expense Constant (If Applicable) | (H) Co. Current Loss Cost Multiplier |
| Homeowners | 21.3% | 10.0% | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL OVERALL EFFECT | 21.3% | 10.0% | | | | | |

6.

5 Year History

Rate Change History

| Year | Policy Count | % of Change | Effective Date | State Earned Premium (000) | Incurred Losses (000) | State Loss Ratio | Countrywide Loss Ratio |
|------|--------------|----------------|-------------------|----------------------------------|-----------------------------|------------------------|---------------------------|
| 2009 | 32,136 | 27.7% | 6/1/09 | 25,996,374 | 36,097,988 | 1.39 | 0.54 |
| 2010 | 33,882 | N/A | N/A | 31,684,601 | 23,953,276 | 0.76 | 0.90 |
| 2011 | 34,192 | 10.0% | 8/8/11 | 33,333,642 | 40,225,694 | 1.21 | 0.91 |
| 2012 | 32,270 | 19.9% | 8/13/12 | 33,541,867 | 20,978,782 | 0.63 | 0.58 |
| 2013 | 30,620 | 5.0% | 8/19/13 | 36,489,125 | 14,528,940 | 0.40 | 0.52 |
| | | | | | | | |
| | | | | | | | |

7.

| Expense Constants | Selected Provisions |
|---|------------------------|
| A. Total Production Expense | 5.6% |
| B. General Expense | 5.3% |
| C. Taxes, License & Fees | 3.3% |
| D. Underwriting Profit & Contingencies | 8.6% 2.0% |
| E. Other (Commissions/Debt) | 13.1% |
| F. TOTAL | 36.3% |

8. N Apply Lost Cost Factors to Future filings? (Y or N) reference last year

9. 24.4% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____

10. 8.4% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
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**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
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ATTACHMENT I

Summary of Disclosures

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
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ACTUARIAL STANDARDS OF PRACTICE

This document confirms compliance with the Actuarial Standards of Practice that are applicable to the preparation of statewide rate filings performed by casualty actuaries as stated in “Applicability Guidelines for Actuarial Standards of Practice” (American Academy of Actuaries, September 2004).

ATTACHMENT II

Summary of Rate Level Indication

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

SUMMARY OF THE DEVELOPMENT OF STATEWIDE RATE LEVEL INDICATION

The calculation of the rate level indication is consistent with the Statement of Principles Regarding Property and Casualty Insurance Ratemaking.

A rate level indication is a test of the adequacy of expected revenues versus expected costs during the future policy period. Therefore, to derive the indicated rate level need accurately, Allstate's historical premium and loss experience needs to be adjusted. In accordance with Section 3.1 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*, Allstate trends the underlying historical experience for premiums, losses, and fixed expenses to appropriately reflect historical and projected changes in these components of the rate level indications. In addition, historical premiums must be adjusted to reflect the current rate level, and historical losses must be adjusted to reflect expected development over time. All hurricane related losses during the experience period were removed and replaced with a provision to reflect those expected losses. Details of these necessary adjustments to the historical data used in the rate level indication are described in this memorandum.

Attachment VI, Exhibit 1.0 summarizes the indicated and proposed rate changes. The determination of the overall indicated change is included in **Exhibit 1.1**, and described in detail throughout this filing.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
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ADJUSTMENTS TO NON-WEATHER LOSSES

Underlying Data

The data used in the calculation of the rate level indication was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard of Practice No. 23, *Data Quality*. Please reference **Exhibit 2** for the fiscal accident years used in developing the rate level indications.

Non-weather losses are defined as those whose primary cause of loss was Fire, Theft, Liability, or All Other perils. Allocated loss adjustment expense (ALAE) is included in the losses.

Accident Year Weights

In order to develop a credible measure of the indicated rate level, it is sometimes necessary to use more than one year of historical loss experience. A maximum of five accident years is combined to determine the indicated provision for loss and loss adjustment expense. The number of years used and the credibility per year is based upon a credibility procedure from the paper "On the Credibility of the Pure Premium" (Proceedings of the Casualty Actuarial Society, Vol. LV, 1968), by Mayerson, Jones and Bowers, and the appendix of the paper "Classical Partial Credibility with Application to Trend" (Proceedings of the Casualty Actuarial Society, Vol. LXXIII, 1986), by Venter and actuarial judgment. The analysis was completed using a k value of 0.050 and a P value of 90.0%; these parameters reflect the desire that the observed pure premium should be within 100k% of the expected pure premium with probability P . Assuming a Poisson frequency, an empirical review of the severity size of loss curve provides a gauge of credibility based on the number of claims closed with a payment.

This approach for incorporating credibility in determination of the accident year weights is consistent with the Current Practices and Alternatives detailed in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

Loss Development

Allstate's standard loss development procedure is to select ultimate accident year losses after analyzing estimates developed using the Link Ratio and Additive methods.

While the Link Ratio method assumes that future development is proportional to losses that have already emerged as of a given evaluation date, the Additive method assumes that future development is proportional to the number of earned exposures in the accident period, where the expected development per exposure is based on historical development patterns per exposure, adjusted to account for differences in frequency and severity over time. Allstate believes the approach of considering two loss development procedures when estimating ultimate losses better upholds the suggestion contained in the *Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves* that "Ordinarily the actuary will examine

the indications of more than one method when estimating the loss and loss adjustment expense liability for a specific group of claims.”

To calculate estimated ultimate losses using the Link Ratio method, historical age-to-age link ratios are calculated, which represent loss development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of paid losses to be used in ratemaking. This method assumes that historical loss development patterns can be used to estimate future loss development on current immature claims.

For the Additive loss development method, historical losses are first trended to today’s price level using selected pure premium trends. This is done to avoid distortions due to changes in the underlying loss costs. Please note that the selected pure premium trend that is used in loss development often differs from the selected trend that applies to the underlying data. This is due to both the consideration of the data used when selecting the pure premium trend for the underlying data, as well as the different lengths of trend periods in each analysis. Trended additive amounts per exposure are calculated, which represent trended loss development between different evaluation periods. An average of the historical trended additive amount per exposure is then used to estimate the ultimate trended level of paid losses. Trended age-to-ultimate additive amounts per exposure are multiplied by earned exposures for each accident year to calculate trended losses that have yet to emerge. A final step in the additive method is to detrend the trended losses yet to emerge. Losses are detrended because the application of trend is accounted for in a separate step in the ratemaking process. This method assumes that historical loss development patterns per exposure can be used to estimate future loss development on current immature claims.

Refer to **Exhibits 4.1 through 4.3** for the loss development using both the Link Ratio and Additive methods of loss development. A summary of the estimated ultimate losses using each method as well as the selected ultimate losses is shown in **Exhibit 5**.

Loss Adjustment Expenses

Allocated loss adjustment expenses (ALAE) are included in the losses. Losses in the experience period have been adjusted to account for non-hurricane unallocated loss adjustment expenses (ULAE). A provision is developed using countrywide Allstate Insurance Group (Allstate Insurance Company, Allstate Indemnity Company, and Allstate Property and Casualty Insurance Company) data.

A three-year average of the ratios of countrywide, combined-lines, calendar year non-hurricane ULAE to countrywide, combined-lines, calendar year non-hurricane incurred losses and allocated loss adjustment expense is used to determine the ULAE provision. The average ratio is then applied to the losses for each year used in the formula calculation. The ULAE ratio that has been used in this filing is shown in **Exhibit 6**.

Loss Trend

The past changes in actual frequency and severity on a twelve-month-moving basis (evaluated at each quarter) were analyzed. The data has been adjusted as described below.

Frequency and severity amounts are calculated using the methodology in “The Effect of

changing Exposure Levels on Calendar Year Loss Trends” (*Casualty Actuarial Society Forum*, Winter 2005) by Chris Styrsky. This methodology helps to more consistently match losses and claims paid with the exposures that produced the claims.

Exhibits 8 display the paid pure premium trends. The credibility level of Allstate loss trend data was analyzed based on the number of claims paid in the latest experience year, which is consistent with the criteria for selecting a credibility procedure outlined in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

After considering past results, credibility level of Allstate data, and actuarial judgment, annual pure premium trends were selected. The selected trends and projections are displayed in **Exhibit 7**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period.

This approach for selecting pure premium trends and projections is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices* of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

Risk Management Adjustment

In October 2011, Allstate implemented a new risk management plan by non-renewing a specifically identified cohort of Allstate Property and Casualty Insurance Company customers with certain characteristics. Because the loss propensity of these customers is no longer reflective of Allstate’s projected book of business, it is necessary to remove these policyholders’ data from the calculation of the Provision for Non-Weather Loss and LAE. Therefore losses and exposures from these policyholders were removed.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

ADJUSTMENTS TO WEATHER LOSSES

The indicated provision for weather losses is determined based on individual frequency and severity components. Allstate has found that separate analyses of frequency and severity for weather losses provide a better estimate of pure premium given the inherent complication of process variance in these losses. The specific base data and methodology for weather losses is explained in detail below.

Underlying Data

Weather losses are defined as those whose primary cause of loss was Water, Wind, Hail, or Lightning perils. Allocated loss adjustment expense (ALAE) is included in the losses. Please note that although Water claims arise from both weather and non-weather events, data limitations currently prevent separate classifications of claims within this peril. All Water claims have been classified as weather events for purposes of this analysis. Please reference **Exhibit 3** for the fiscal accident years used for the severity analysis.

Severity Accident Year Weights

A maximum of five accident years is combined to determine the indicated weather severity provision. The number of years used and the credibility per year is based upon a credibility procedure from the paper "On the Credibility of the Pure Premium" (Proceedings of the Casualty Actuarial Society, Vol. LV, 1968), by Mayerson, Jones and Bowers, and actuarial judgment. The analysis was completed using a k value of 0.050 and a P value of 90.0%; these parameters reflect the desire that the observed severity should be within 100k% of the expected severity with probability P . Unlike its non-weather counterpart, this analysis does not rely on a frequency assumption; rather, an empirical review of the severity size of loss curve provided a gauge of credibility based on the number of claims closed with a payment.

This approach for incorporating credibility in determination of the accident year weights is consistent with the Current Practices and Alternatives detailed in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

Severity Development

Allstate determines ultimate accident year weather severity using the Link Ratio method, which assumes that future development is proportional to losses that have already emerged as of a given evaluation date. As severities are not considered on a per-exposure basis, no Additive loss development estimate is developed for the weather provision.

To calculate estimated ultimate severities using the Link Ratio method, historical age-to-age link ratios are calculated, which represent loss development between different evaluation periods. An

average of the historical link ratios is then used to estimate the ultimate level of paid losses to be used in ratemaking. This method assumes that historical loss development patterns can be used to estimate future loss development on current immature claims.

Refer to **Exhibit 12.2** for the weather severity loss development using the Link Ratio method. The estimated ultimate severity is shown in **Exhibit 3**.

Severity Trend

The past changes in actual severity on a twelve-month-moving basis (evaluated at each quarter) were analyzed.

Exhibit 11 displays the paid severity trends. The credibility level of Allstate loss trend data was analyzed based on the number of claims paid in the latest experience year, which is consistent with the criteria for selecting a credibility procedure outlined in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

After considering past results, credibility level of Allstate data, and actuarial judgment, annual severity trends were selected. The selected trends and projections are displayed in **Exhibit 10**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period.

This approach for selecting severity trends and projections is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices of Actuarial Standard of Practice No. 13, Trending Procedures in Property/Casualty Insurance Ratemaking*.

Frequency Estimation

Exhibit 9 displays the number of years of data used to calculate the average frequency for Arkansas for the combined Water, Wind, Hail, and Lightning perils (i.e., weather). Each accident year's claim frequencies are developed to ultimate. The straight average is used as the state estimate of future claims frequency. Note that no trend is applied to this frequency estimate.

To calculate estimated ultimate frequencies using the Link Ratio method, historical age-to-age link ratios are calculated, which represent claim development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of frequencies to be used in ratemaking. This method assumes that historical claim development patterns can be used to estimate future claim development on current immature claims.

Refer to **Exhibit 12.1** for the weather frequency claim development using the Link Ratio method. The estimated ultimate frequency is shown in **Exhibit 3**.

Risk Management Adjustment

In October 2011, Allstate implemented a new risk management plan by non-renewing a specifically identified cohort of Allstate Property and Casualty Insurance Company customers

with certain characteristics. Because the loss propensity of these customers is no longer reflective of Allstate's projected book of business, it is necessary to remove these policyholders' data from the calculation of the Provision for Weather Loss and LAE. Therefore losses, exposures, and claims from these policyholders were removed.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

MODELED LOSSES

Allstate separately identifies and accounts for its exposure to loss due to the occurrence of hurricane or other modeled events within a state. Allstate does not believe that available historical data for hurricane losses accurately represents the exposure to expected hurricane loss in Arkansas. As such, it is Allstate's standard practice to use a model which is based on a combination of historical insurance and non-insurance data. **Attachment III** describes the modeled provision in detail.

More specifically, given the low frequency, high severity nature of hurricane activity, Allstate believes that using historical data is not the most predictive approach of developing a Hurricane Provision per Amount of Insurance Year (AIY). Using a model provides a more stable result as it mitigates the volatility found in historical insurance data.

However, to be consistent with past Arkansas filings and with the hope of expediting the review of this filing, Allstate has selected its hurricane provision based on actual hurricane loss experience. Note that because of the Hurricane Provision, hurricane losses have been removed from the analysis performed to develop the Weather Loss and LAE.

Attachment VI, Exhibit 23 shows the calculation of the Hurricane Provision per AIY based on 20 years of historical data.

Please note that in developing the Provision for Hurricane Loss and LAE, the Amount of Insurance Years (AIY's) are used as an exposure base. One AIY is equal to \$1,000 of Coverage in force for one year. The AIY's must be adjusted to represent the AIY's that we expect to be in force during the policy period. **Exhibit 22** shows the average AIY trend for Arkansas. A 2.0% provision is selected to project the AIY's to the average earned date of the proposed policy period.

This approach for selecting AIY projections is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices* of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
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EXPENSES AND PROFIT PROVISION

The expense provisions described below were derived in accordance with Section 3.2, Determining Expense Provisions, of Actuarial Standard of Practice No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*.

Exhibit 13 shows the expense provisions used in developing the current fixed and variable expense ratios, as well as the underwriting profit and debt provisions.

Fixed Expenses

Provisions

General and Other Acquisition Expense

The provisions for general expense and other acquisition expense are based on countrywide data. To develop the provision for general and other acquisition expenses, a three-year average of countrywide, combined-lines, calendar year incurred expense divided by countrywide calendar year direct earned premium was calculated. Because premiums charged for the net cost of reinsurance (NCOR) do not include provisions for general and other acquisition expenses, the earned premium used in the development of the general and other acquisition expenses is countrywide direct earned premium less countrywide NCOR premium. The provision for other acquisition expense has been reduced by the amount of installment fees collected. In addition, the provision has been adjusted for premiums written off.

Licenses & Fees

A provision for licenses and fees that do not vary by premium size is determined by taking the arithmetic average ratio of these licenses and fees from the latest three calendar years in Arkansas. The provision for licenses and fees is considered, along with the general and other acquisition expense provisions, to be a fixed expense and is shown in **Exhibit 13**.

The expense provisions for general and other acquisition expenses are developed on **Exhibits 14** and **15**.

Rate Need Calculations

In developing the dollar provision for general and other acquisition expenses used in the calculation of the rate level need, the three-year average expense ratio is applied to the average earned group premium of Arkansas. The group average earned premium is developed using the same three-year period used in the calculation of the countrywide expense ratio. The provision is then adjusted for the trend expected to occur from the midpoint of the three years used in the calculation of the average earned premium to the average earned date of the proposed policy period to derive the provision included in the rate level indications.

Trend (Inflation)

The method used to calculate the fixed expense trend is similar to the method used by the Insurance Services Office (I.S.O.) and other competitors to determine a fixed expense trend. The method utilizes the CPI (Consumer Price Index) and the ECI (Employment Cost Index – Insurance Carriers, Agents, Brokers, & Service) and is discussed by Geoffrey Todd Werner, FCAS, MAAA in his paper *Incorporation of Fixed Expenses*, which was published in the *CAS Forum* (Winter 2004). Based on a review of the historical indices, an annual percentage change is selected for each index. These selected annual percent changes are then weighted together using the distribution of the Allstate expenditures in the latest calendar year for the two broad expense categories that these indices represent. This method is expected to produce stable and reasonable estimates of the true trend in fixed expenses and is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices of Actuarial Standard of Practice No. 13, Trending Procedures in Property/Casualty Insurance Ratemaking*. This trend is applied to all fixed expenses. The factor to adjust for subsequent change in Fixed Expense is shown in **Exhibit 16**.

Variable Expenses

Commission and Brokerage Expense

The proposed commission and brokerage expense provision has been developed from the most recent calendar year commission and brokerage incurred expense ratio in Arkansas. The provision is shown in **Exhibit 13**.

Taxes

The provision for taxes is determined by taking the currently prescribed Arkansas premium tax ratio and adding to that the arithmetic average ratio of other assessments that vary by the size of the premium from the latest three or five calendar years. The provision is shown in **Exhibit 13**.

Underwriting Profit Provision

Allstate performs two separate cost of capital analyses in the estimation of its cost of equity. The first uses the Fama-French Three-factor Model (FF3F), which reflects developments in the field of financial economics as published in the *Casualty Actuarial Society Forum, Winter, 2004 and in Journal of Risk and Insurance, Vol. 72, No. 3, September 2005* (“Estimating the Cost of Equity Capital For Property-Liability Insurers” by J. David Cummins and Richard D. Phillips). The second is a Discounted Cash Flow (DCF) analysis, which estimates the expected future cash flows to investors in order to gauge the proper cost of equity. Once both the DCF and FF3F estimates had been calculated, Allstate selected a cost of equity of 9.5%, which reflected the outcomes of both analyses.

An analysis of premium, loss and expense cash flows is used to calculate the investment income on policyholder supplied funds (PHSF). This methodology is one of the two examples given in Actuarial Standard of Practice, No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*, as appropriate methods for recognizing investment income from insurance operations (page 4).

The calculations detailing this investment income analysis are found in **Exhibit 17**. The expected investment yield rate (applied as a force of interest) used to discount losses and expenses includes anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

The final pre-tax underwriting profit provision at present value is shown in **Exhibit 13** as well.

The underwriting profit provision will not apply to the retained risk provision.

Debt Provision

The cost of debt is listed as a separate provision in the Variable Expense and Profit Ratio. The debt provision amount is shown in **Exhibit 13**.

Contingency Provision

The contingency provision of 2% is shown in **Exhibit 13**. Additional support on the selected contingency provision is shown on **Exhibit 18** and throughout **Attachment V**. Please note that the contingency provision does not apply to the retained risk provision.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
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RETAINED RISK PROVISION

Allstate calculated an indicated retained risk provision in determining the rate level need in Arkansas. This provision is meant to provide appropriate returns on the high-layer retained hurricane exposure. **Attachment IV** describes the development of the retained risk provision per Amount of Insurance Year (AIY). **Exhibit 24** displays the retained risk provision per AIY used in Arkansas. Please note that in developing the Provision for Modeled Loss and LAE and Retained Risk, the Amount of Insurance Years (AIY's) are used as an exposure base. One AIY is equal to \$1,000 of Coverage in force for one year. The AIY's must be adjusted to represent the AIY's that we expect to be in force during the policy period. **Exhibit 22** shows the average AIY trend. We have selected a 2.0% provision to project the AIY's to the average earned date of the proposed policy period. This approach for selecting AIY projections is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices* of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. Due to the retained risk provision representing an appropriate return for this high-layer retained hurricane exposure, the underwriting profit provision for the corresponding loss and LAE is not applied.

The methodology used to develop this retained risk provision is based upon the approach detailed in the presentation “Quantifying Risk Load for Property Catastrophe Exposure” by David Appel from the 2010 Casualty Actuarial Society Ratemaking and Product Management Seminar (<http://www.casact.org/education/rpm/2010/handouts/RR3-Appel.pdf>).

However, Allstate has elected to remove the retained risk provision from this filing in order to comply with previous comments from the Arkansas Insurance Department. The selected retained risk provision of 0.00 can be found on **Exhibit 24**.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
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ADJUSTMENTS TO PREMIUMS

Current Rate Level

All premiums in the experience period were adjusted to current rate level. Allstate applies the “Miller-Davis-Karlinski” method to adjust premiums since it more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage or seasonality. When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method.

The Miller-Davis-Karlinski method is also used to bring premiums to current rate level prior to calculating the changes in average premium used in the premium trends.

Premium Trend

In addition to bringing premiums to current rate level, changes in the average written premium at the current premium level were reviewed. Unlike losses, premium is relatively stable. Only the latest year of premium is used in the calculation of the indication, which eliminates the need for premium trend. Premium projections are still selected to account for shifts in the distribution of various underlying factors. Given that the effects on losses caused by these shifts are reflected in the loss projections, it is important that Allstate also account for the anticipated future changes in premiums.

The projected average earned premium as well as the calculation of the premium projection factor is displayed in **Exhibits 19** and **20**, respectively. This annual projection is used to project the data from the average occurrence date of the most recent experience period to the average occurrence date of the future policy period. Premium trend data is provided in **Exhibit 21**.

This approach for selecting a premium projection is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices* of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

ATTACHMENT III

Modeled Loss Provision

**ALLSTATE INSURANCE GROUP
OWNERS
ARKANSAS**

**DEVELOPMENT OF THE HURRICANE PROVISION
BASED ON THE 2013/2012 AIR VERSION 15.0 HURRICANE MODEL
IN THE STATEWIDE RATE LEVEL INDICATION
EXPLANATORY MEMORANDUM**

I. INTRODUCTION

The Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Ratemaking defines a rate as “...an estimate of the expected value of future costs” and further states that “a rate provides for all costs associated with the transfer of risk”. Rates are therefore an estimate of the costs for the policies to which the rates will apply. In our property ratemaking we assume that the proposed rates will apply to the policies written for one year from the effective date of the rates. Each provision of the rate is based on an estimate of the costs associated with those policies.

Losses expected from a hurricane are significantly different than losses expected from other types of loss events. Hurricanes are unique because of the large potential impact such storms can have on the company's solvency and because of the relatively low frequency of such events.

The significant variation in the frequency of different magnitudes of hurricanes diminishes the accuracy of historical hurricane related loss experience for projecting expected loss levels for the policies to which proposed rates will apply. Average expected recurrence periods for the larger, more severe storms are so long that many external variables will change in the time periods between occurrences. For example, the area of southern Florida hit by Hurricane Andrew in 1992 was last hit by a major hurricane, Hurricane Betsy, in 1965. The type, number, value, vulnerability and geographical distribution of exposed properties in the area impacted by Hurricane Andrew are very different than those of the exposed properties in 1965. Actual loss statistics from a hurricane that occurred many years ago are not easily adjusted for the type, number, value, and vulnerability of present day structures.

Since historical hurricane related losses cannot be used to accurately estimate current hurricane related loss potential, Allstate has contracted with an outside vendor, AIR Worldwide (AIR), which uses an alternative methodology based on Monte Carlo simulation to arrive at Allstate's expected annual hurricane related losses. This approach involves the development of computer programs that describe in detail the frequency of hurricanes, their meteorological characteristics, and their effects on exposed properties. A high-speed computer then simulates a large set of hypothetical hurricanes and estimates the resulting property losses based on Allstate's exposure.

In order to estimate the potential loss from hurricanes, 100,000 scenario years of potential hurricanes are simulated. This large number of simulations attempts to ensure that the resulting probability distribution of losses converges to a stable representative distribution of potential annual hurricane related loss.

The pattern of simulated hurricanes is representative of what has occurred historically because meteorological data on the actual events since 1900 were used to estimate the parameters of the AIR hurricane simulation model. The meteorological sources used to develop the model are the most complete and accurate databases available from various agencies of the National Weather Service and the National Oceanic and Atmospheric Administration (NOAA), including the National Hurricane Center.

This explanatory memorandum incorporates text taken directly from documents supplied to Allstate by AIR Worldwide (AIR) and should not be copied or distributed without the express, written permission of AIR.

II. HURRICANE PARAMETERS AND WIND SPEED ESTIMATION

HURRICANE PARAMETERS

The primary characteristics of hurricanes used to simulate each storm and resulting wind speeds are:

1. Hurricane Frequency
2. Landfall Location
3. Central Pressure
4. Radius of Maximum Winds
5. Forward Speed
6. Track Angle at Landfall
7. Storm Track
8. Gradient Wind Reduction Factor
9. Peak Weighting Factor

The probability distributions for several of these variables (2-6) are estimated for coastal segments of equal length from Texas to Maine. Random samples are generated from the probability distributions of these input variables to assign values to the variables for each simulated hurricane.

1. Hurricane Frequency

More than one hundred years of history, spanning the period 1900-2010, were used to estimate the parameters of the annual frequency distribution.

2. Landfall Location

There are 62 segments of fifty nautical miles in the AIR hurricane simulation model, totaling 3,100 nautical miles of coastline. Of these, segment 29 in Southern Florida is split into two parts, one of which represents Key West in Florida. Historical landfalls are tabulated by the 62 segments and the frequencies are then smoothed to produce an estimate of the landfall probability for each segment. A cumulative probability

distribution of landfall locations is developed for the entire coastline. Once a landfall segment has been selected from this distribution, the exact landfall location is selected from a uniform distribution within the segment.

3. Central Pressure

Central pressure is the lowest sea-level pressure at the center of the hurricane. This variable is the primary determinant of hurricane wind speed. All else being equal, wind speeds increase as the central pressure decreases, or more precisely, as the difference between the central pressure and the peripheral pressure increases. Distributions are first fitted to historical central pressure data for each hundred nautical mile coastal segment. Separate distributions are then estimated for larger regions defined based on broad meteorological differences. The final distribution used for each segment is a mixture, with appropriate weights applied, of the regional distributions and the segment distribution.

4. Radius of Maximum Winds

Radius of Maximum Winds (R_{\max}) is the distance from the storm's center (eye) to the point where the strongest winds are found. The R_{\max} of stochastic events is estimated using a procedure that relates the R_{\max} to the central pressure of the storm and to latitude. The R_{\max} is allowed to vary after landfall over the life of the storm.

5. Forward Speed

Forward Speed is the speed at which a hurricane moves from point to point. The parameters of the distribution of forward speed at landfall are estimated for each coastal segment. The lower bound of the distribution of forward speed is three nautical miles. The upper bound is dependent on latitude. Forward speed is allowed to vary after landfall based on historical distributions.

6. Track Angle at Landfall

Track Angle at Landfall is the angle between track direction and due north at landfall location. Separate distributions for track angle at landfall are estimated for segments of coastline that have variable orientation.

7. Storm Track

A times-series model is employed to reflect dependent variables in the historical data to produce simulated storm tracks. The track direction of each simulated hurricane has the capability to curve and re-curve on a fully probabilistic basis using conditional probability matrices. Thus, the AIR hurricane simulation model has the ability to propagate a storm track that accurately imitates actual storm motion.

8. Gradient Wind Reduction Factor (GWRF)

The model uses a stochastic GWRF, which varies from storm to storm according to a probability distribution. The probability distribution is developed based on dropsonde data for the period 2002-2005 along with published literature.

9. Peak Weighting Factor (PWF)

The PWF is a stochastic parameter used to reflect the vertical slant of the hurricane eye. The PWF and GWRF are generated jointly using a bounded Bivariate Normal distribution.

HURRICANE WIND SPEED ESTIMATION

Once the key parameters have been generated, the meteorological relationships among them are used to develop a complete time profile of wind speeds for each location affected by the storm. This involves the following calculations for each simulated hurricane:

1. Gradient-Level Wind Speed
2. Adjustment to surface (10-meter) level
3. Storm Asymmetry
4. Storm Decay (Filling)
5. Radial Decay (Storm Center-Relative Wind Speed)
6. Adjustment of Wind Speed for Surface Friction and Averaging Time

1. Gradient-Level Wind Speed

A maximum upper-level (or gradient-level) wind speed is determined based on central and peripheral pressures, as well as radius of maximum winds and latitude coordinates. The upper level wind is then determined above the location of interest by adjusting the maximum value based on the distance of location from the eye of the storm. This is done using an expected radial gradient wind profile derived from the scientific literature. This wind, called the gradient-level wind speed, is estimated over a 10-minute averaging time.

2. Adjustment to surface (10-meter) level

The gradient-level wind is then reduced to a 10-meter height level through application of a scaling factor and a spatial relationship adjustment. The gradient-wind adjustment factor (GWRF) that is used is a variable factor that represents the observed relationship between gradient-level winds and those measured at a 10-m height. The spatial adjustment accounts for differences in the GWRF relationship between the core and the periphery of the storm. The resulting wind represents the surface-level (10-meter) wind speed over an open water surface.

3. Storm Asymmetry

An asymmetry factor is calculated based on the forward speed of the hurricane and the relationship between the track direction and the surface wind direction. Since storms in the Northern Hemisphere rotate counterclockwise, this factor is added to the wind speeds calculated to the right of the hurricane track and is subtracted from those calculated to the left of the hurricane track. The wind field's asymmetry is therefore a function of how quickly the storm is propagating.

4. Storm Decay (Filling)

Once over land, the hurricane moves away from its source of energy, i.e., warm ocean water. Central pressure rises and as a result, the eye “fills” and winds degrade. Filling equations used in the AIR model estimate the reduction in over-land wind speed as a function of time since landfall, rather than distance. A fast moving storm can produce damaging winds further inland than a slow moving storm with the same landfall intensity (wind speed). Some storms can also reintensify after landfall, in accordance with historical data, but central pressure cannot be lower than the central pressure at landfall. The filling equations vary by coastal region and smoothing is performed to ensure that there are no unrealistic jumps between regions.

5. Radial Decay (Storm Center-Relative Wind Speed)

The wind speed in any five-digit zip code is dependent on the distance of the zip code centroid from the eye of the storm. The estimated wind speed at any point within the hurricane is dependent on the radius of maximum winds (R_{max}), the distance between the eye of the storm and the centroid of the zip code area, the translational factor between upper-level winds and surface-level wind speeds, and the vertical slant in the eye of a hurricane. As a zip code centroid lies farther from the eyewall, the winds decay until they reach an ambient level at the periphery of the storm.

6. Adjustment of Wind Speeds for Surface Friction and Averaging Time

Differences in surface terrain also affect wind speeds. The roughness of the underlying surface induces friction which tends to slow down the winds, and induces turbulence effects which tend to generate short-lived gusts. The friction and gust effects are estimated based on the roughness of the surface over which the wind passes and from which direction the winds are coming.

A friction factor is calculated to capture surface roughness at each affected site and the associated decrease in wind speed that results from surface obstacles. Estimates of surface roughness are derived from digital US Geological Survey (USGS) land use/land cover data. Each terrain type has a different “roughness value” that will lead to different frictional effects on wind speeds at different locations. In general, the rougher the terrain is the larger the effect of friction on wind speeds will be.

As soon as a storm crosses the coastline, there is an immediate reduction in wind speed. The reduction factors reach equilibrium values when the terrain is homogeneous over sufficiently large areas such that the surface winds come in balance with the surface. Thus, most local variability occurs when the underlying surface is diverse.

A gust factor is calculated to capture the effects of surface turbulence and is also associated with the roughness of the terrain. Smooth surfaces impart only a small turbulent effect. The adjustment for rougher surfaces is more substantial since rough surfaces tend to generate short-lived gusts which will translate to a stronger maximum 1-minute sustained wind speed. The gust factor is computed using the same USGS land use data set as is used for the friction calculation. The final adjusted wind represents a 1-minute at a 10-meter height that accounts for the impacts of the local environment and the forward motion of the storm.

III. DAMAGE ESTIMATION AND DEMAND SURGE

AIR engineers have developed damage functions that describe the interaction between buildings, (including both structural and nonstructural components) and their contents, and the local wind speeds to which they are exposed. These functions relate the mean damage level as well as the variability of damage to wind speed at each location. Because different structural types will experience different degrees of damage, the damage functions vary according to construction class, occupancy, and height. The model estimates a complete distribution around the mean level of damage for each local wind speed and each structural type. Losses are calculated by applying the appropriate damage function to the replacement value of the insured property.

The AIR damage functions capture the effects of wind duration as well as the effect of peak wind speed. The longer a property experiences severe wind speeds, the greater the damage. The hurricane damageability relationships incorporate well-documented engineering studies published by wind engineers and other experts outside of AIR. They also incorporate the results of post-hurricane field surveys performed by AIR engineers. These relationships are continually refined and validated based on actual client companies' loss data.

Any major hurricane event causes an increase in demand for materials and services to repair and rebuild damaged property. This can put pressure on costs, resulting in higher than expected costs. Therefore, AIR applies aggregate demand surge functions to loss estimates to take into account the combined effects of events clustered in both time and geography.

IV. LOSS CALCULATION

ALLSTATE EXPOSURE DETAIL

Allstate has supplied AIR with a detailed exposure database containing insured values by policy level and ZIP Code for each line of business, construction, and deductible combination. Damage functions relating wind speed and wind duration to the percentage of property damaged for

varying types of coverage and construction are used to produce loss estimates by zip code for each simulated hurricane.

MODELED LOSS ESTIMATES

Losses estimated from 100,000 years of simulated potential hurricanes are summed and divided by 100,000 to produce the expected annual losses from all hurricanes for each ZIP Code. ZIP Code loss estimates are then aggregated to produce expected annual loss by county and state.

Hurricane factors are then calculated as the total loss estimate for a given ZIP Code, county, or state divided by the total insured value in thousands of dollars (amount of insurance years). This factor is applied to the expected average amount of insurance years in the determination of the overall rate level indication.

IMPACT ON MODELED LOSSES DUE TO WARM SEA SURFACE TEMPERATURES

Meteorological research has identified correlations between naturally varying ocean temperatures and hurricane activity originating in the Atlantic that affects both the Gulf and the Atlantic coastlines. The active 2004 and 2005 hurricane seasons heightened Allstate's awareness of such relationships. Scientists have concluded that the climate is presently undergoing a cycle of warmer than average sea surface temperatures which is expected to result in increased hurricane activity in the United States. It is well known that the ocean is able to retain heat for very long periods of time, a physical characteristic known as persistence. Due to the ocean's long-term persistence and the associated ocean current cycle known as the Atlantic Thermohaline Circulation, most scientists believe that the Atlantic Ocean is likely to remain warmer than average for the next several years.

In rate filings prior to 2013, the modeled losses were adjusted with a WSST Adjustment Factor in order to account for the impact of warm sea surface temperatures on temperatures in the Atlantic Ocean on hurricane landfall activity. This WSST Adjustment Factor was created because only 50,000 years of simulations were previously available. With the current model, 100,000 years of simulations of WSST modeled losses are available and can be directly utilized without the application of a WSST Adjustment Factor.

ADJUSTMENTS TO MODELED LOSS ESTIMATES

As advances in science and changes in claim payment behaviors evolve, Allstate re-evaluates how it currently reflects modeled hurricane related losses in ratemaking. At times it is necessary to adjust the modeled losses to more accurately estimate the Property and Casualty industry's risk from hurricanes. Note that all adjustments made to the modeled losses are under continual development and may change in the future as Allstate learns more about the changing risk environment. Modeled loss estimates include adjustments for:

- Loss Adjustment Expenses

Loss Adjustment Expenses

Loss Adjustment Expense (LAE), both allocated and unallocated, represents the cost of adjusting, investigating and settling losses due to the hurricane peril. Allocated expenses are incurred while investigating and settling claims and are considered allocated because they can be linked directly to a claim file. Unallocated expenses are associated with processing claims, but cannot be linked directly to a claim file. Modeled hurricane related losses provided by AIR do not include LAE. Therefore, it is necessary to develop a LAE provision to be applied to these losses for use in pricing and hurricane exposure management. In order to account for the LAE associated with hurricane related losses, we have applied a factor of 1.18 to the modeled losses for all property lines. The selection of this provision was based on a study of the LAE associated with hurricane related losses for Allstate.

Methodology:

Allocated Loss Adjustment Expense (ALAE)

Loss and allocated loss adjustment expense data for hurricane events from 1998 through 2012 were analyzed. Tropical storms are not included in the LAE analysis, as they are not simulated in the modeled loss data. A ratio of allocated loss adjustment expenses to losses was developed.

Unallocated Loss Adjustment Expense (ULAE)

Loss and unallocated loss adjustment expense data for hurricane events from 2004 through 2012 were analyzed. A ratio of unallocated loss adjustment expenses to losses was developed.

| Allstate Insurance Group | |
|--|--------------|
| Allstate Personal and Commercial Lines Combined | |
| Loss Adjustment Expense Analysis – Hurricane Related Peril | |
| ALAE | 1.8% |
| ULAE | <u>17.7%</u> |
| Total | 19.5% |
| | |
| Selected: | 18.0% |

V. ACTUARIAL STANDARDS OF PRACTICE

The rules and procedures as set forth in ASOP38-Using Models Outside the Actuary's Area of Expertise (Property and Casualty) were applied in reviewing the modeled losses.

ATTACHMENT IV

Retained Risk Provision

**ALLSTATE INSURANCE GROUP
OWNERS
ARKANSAS**

**DEVELOPMENT OF RETAINED RISK PROVISION BASED ON MODELED
EXPOSURE**

Allstate includes a provision in the rates to cover the risk of exposing its capital to large catastrophic events. This retained risk provision (RRP) is intended to provide appropriate compensation to Allstate relative to its retained, high-layer modeled risk. The provision described below is consistent with the rules and procedures set forth in the Actuarial Standard of Practice No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)* and Actuarial Standard of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*.

The procedure for developing the RRP calls for identifying the portion of catastrophic losses that will be retained by Allstate and then estimating the cost to Allstate of holding the capital required to pay such losses. To measure the amount of retained losses, Allstate's actual reinsurance contracts are applied to the modeled losses based on the 2012 AIR Version 14.0 Hurricane and Earthquake Model for Arkansas. This provides an estimate of the portion of the losses that will be covered by Allstate's reinsurance contracts and the amounts that will be retained by Allstate. Once the retained losses in excess of a 1-in-5-year event (i.e., 20% annual occurrence probability) have been determined, we then calculate the appropriate compensation for exposure to such losses by using data from capital markets – specifically the market for catastrophe bonds. The details of the procedures used to determine the magnitude of retained losses at various occurrence probabilities, and the investor-required compensation for bearing the risk of those losses, are explained in more detail below.

Catastrophe bonds are one of a class of financial instruments known collectively as “insurance linked securities (ILS).” ILS have payoffs conditional on future contingent events, such as the occurrence of hurricanes. While there are a variety of ILS traded in today's capital markets, the most common and prominent of these are catastrophe bonds, which are bonds that may default on both principal and interest if a specific catastrophic event occurs.

Typically a catastrophe bond is issued by an insurance company with a provision that if a specified catastrophic event (e.g., hurricane in Florida, earthquake in California, winter storm in Europe, etc.) of a particular magnitude occurs, the issuer may default on the payment of principal and/or interest on the bond. In that respect, the bond functions similarly to reinsurance – once the “attachment point” is breached, the insurer receives a benefit that at maximum is equal to the face amount of the bond. When catastrophe bonds are sold, investors naturally demand a yield premium as compensation for the risk of default.

Mechanically, when catastrophe bonds are sold, the issuer deposits the proceeds of the sale into a segregated account which pays interest at the risk free rate. However, because of the default risk, the yields on such bonds must be higher than the risk free rate. Thus, the interest in excess of the risk free rate is an excellent basis for measuring the risk premium that the marketplace has established for bearing catastrophe exposure. Furthermore, since insurers face the same risk of catastrophic loss as investors, the risk premiums paid in capital markets provide an appropriate measure of the compensation required for the insurer as well.

There are several reasons why this is a particularly useful way to quantify a RRP in ratemaking. First, the data are drawn directly from capital markets, meaning they reflect the consensus of all investors as to the compensation required for bearing catastrophe risk. Second, they reflect exactly the types of risks to which insurers are exposed when they write property coverage in catastrophe prone states; as such they represent an appropriate estimate of the return demanded for the catastrophe exposure. Third, the entire analysis is free of assumptions regarding insurer-specific factors such as cost of capital, leverage, and investment income. Finally, the data required to adapt this information to insurance ratemaking is readily available and reported regularly at annual (or more frequent) intervals.

The data used in the calculation of the rate retained risk provision was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard of Practice No. 23, *Data Quality*. As regards the data, the sources Allstate relies upon are the annual publications of Lane Financial LLC, the most prominent analyst of the ILS market in the US. Annually, Lane Financial provides a summary of all newly issued catastrophe bonds, which includes information on the following critical variables:

- Face amount of bond
- Insured peril
- Yield spread to risk free rate (the excess return or risk premium on the bond)
- Probability of first loss (the probability that the insured event will cause any loss of principal or interest)
- Probability of exhaustion (the probability that the loss will be large enough to exhaust the entire principal of the bond)
- Expected value of loss (the annual average loss given the probability of attachment and exhaustion, expressed as a percent of the face amount of the bond)

Allstate uses this data to develop the appropriate RRP by state, line, and company in the following manner. First, profit multiples are calculated, which are obtained by subtracting the expected value of loss from the excess return on the bond, and then dividing that quantity by the expected loss. This profit multiple is essentially a measure of the profit an investor expects per dollar of expected loss on the bond. However, as might be expected, the amount of profit that investors require per dollar of loss depends on the riskiness of the losses themselves. For bonds that are extremely risky (i.e., that have very low probabilities of attachment) the profit multiples are considerably higher than for less risky instruments. Therefore, when the data are compiled, the profit multiples are computed for each bond, and a regression curve is fit to the profit multiple data. The average profit multiples for each layer are then determined using the fitted curve, for the following layers: those with attachment probabilities of 20% - 10%, 10% - 5%, 5% - 2%, 2% - 1%, 1% - 0.4%, and less than 0.4%. As expected, these profit multiples increase as the attachment probabilities decrease. The selected profit multiples used in the calculation of the Retained Risk Provision for Arkansas Allstate Property and Casualty Insurance Company Owners are shown in **Exhibit 1** of this attachment.

The next step is to apply these profit multiples to the amount of modeled losses retained by Allstate. To do this, the amount of retained modeled losses is compiled by layer, where the layers are defined by occurrence probabilities in the same ranges as the profit multiples described above. Given the expected retained losses within each layer and the required profit per dollar of loss as measured by the profit multiples, the RRP (in dollars) is calculated by multiplying the expected retained losses within each layer by the corresponding profit multiple and summing across the layers. This result can be used to estimate the appropriate compensation to Allstate for its retained modeled exposure.

These calculations are performed using annual aggregate modeled losses since Allstate's surplus is exposed to multiple events in the same year. The aggregate annual occurrence probabilities are determined by using all modeled losses in Arkansas using the AIR model event sets.

The AIR model produces 100,000 years of modeled losses, which are initially ranked from high to low. The loss sizes are determined for each of the occurrence probabilities that are used to define the loss layers (0.4%, 1%, 2%, 5%, 10%, and 20%). For example, the 1-in-100-year loss (1% probability) is the amount of modeled loss in the 1000th largest year (1% of 100,000), the 1-in-250-year loss (0.4% probability) is the amount of modeled loss in the 400th largest year, etc. Once the loss sizes are determined for the boundaries of each layer, all expected losses from the AIR model are distributed into these layers of loss.

Next, the amount of losses in each layer that are covered by Allstate's reinsurance contracts is determined by applying Allstate's reinsurance contracts to the modeled losses. The following items need to be considered when applying Allstate's reinsurance contracts:

- For events that impact more than one state, the reinsured losses are allocated to each affected state proportional to those events' expected losses in each state.
- Allstate's nationwide (excluding New Jersey and Florida) reinsurance program is a per-occurrence excess-of-loss contract that covers catastrophe losses in a year, subject to the terms and limits of that contract.
- The reinsurance coverage provided by the nationwide program is applied to each state proportional to each state's expected losses in the reinsured layer.
- Some states have multiple reinsurance contracts that provide coverage for various types of catastrophe losses – these may include state-specific reinsurance contracts in addition to the nationwide contract.
- Additional considerations are required when there are multiple events in a year to ensure that the reinsured losses are allocated properly to each state.

Allstate's retained losses for each event are derived by subtracting the losses covered by reinsurance from the total expected losses. In some years, the retained losses exceed the total amount of Allstate's statutory surplus. Those years with retained losses in excess of Allstate's surplus are identified and Arkansas's portion of the excess losses is determined proportional to the retained losses in that year. The losses in excess of Allstate's statutory surplus are subtracted from the retained losses to determine the exposed losses covered by Allstate's surplus.

The indicated RRP is then developed by applying the profit multiple indicated by capital markets to the exposed Arkansas losses covered by surplus in each layer. The dollars of RRP are summed across the layers, and a diversification factor is applied to account for the fact that Allstate is a multi-line, multi-state company, to determine the total RRP. The calculation of the total diversified RRP for Arkansas Allstate Property and Casualty Insurance Company Owners is shown on **Exhibit 2** of this attachment.

Finally, the dollars of calculated RRP are divided by Amount of Insurance Years (AIYs) to develop a per-AIY charge that is included in the rate level indication.

ALLSTATE INSURANCE GROUP

Summary of Catastrophe Bond Profit Multiples *Based on Short-Term Cat Bonds issued between 2006 and 2013 for All U.S. bonds with a probability of loss between 0.05% and 20.00%*

| <u>Probability</u> | <u># of Cat Bonds</u> | <u>Average Size of Issue (\$ Millions)</u> | <u>Profit Multiple</u> ¹ |
|--------------------|-----------------------|--|-------------------------------------|
| less than 0.4% | 4 | \$49.4 | 23.05 |
| 0.4% to 1% | 25 | 180.1 | 8.14 |
| 1% to 2% | 41 | 134.1 | 5.21 |
| 2% to 5% | 65 | 91.3 | 3.61 |
| 5% to 10% | 24 | 59.6 | 2.19 |
| 10% to 20% | 7 | 27.1 | 1.49 |
| Total | 166 | \$106.9 | 4.86 |

Source: Lane Financial LLC, Annual Securitization Reviews

¹ Based on fitted regression of all cat bonds selected

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Development of Retained Risk Provision
All Perils excl. EQ-Shake Peril

| | (1) | (2) | (3) | (4) = (1) - (2) - (3) | (5) | (6) = (4) x (5) | |
|-----------------------------|-----------------------------|------------------|-------------------|---------------------------------|--------------------------------------|-----------------------------|--|
| Layer | Probability of Attaching | Expected Loss | Reinsured Loss | Exposed Losses Above Surplus | Exposed Losses Covered by Surplus | Cat Bond Profit Multiple | Retained Risk Provision by Layer |
| 1 | 100.0% | \$0 | \$0 | \$0 | \$0 | 0.00 | \$0 |
| 2 | 20.0% | \$1,376 | \$6 | \$0 | \$1,370 | 1.49 | 2,041 |
| 3 | 10.0% | \$18,773 | \$270 | \$1 | \$18,502 | 2.19 | 40,520 |
| 4 | 5.0% | \$54,803 | \$2,387 | \$0 | \$52,417 | 3.61 | 189,224 |
| 5 | 2.0% | \$55,885 | \$4,288 | \$0 | \$51,598 | 5.21 | 268,824 |
| 6 | 1.0% | \$61,648 | \$7,711 | \$0 | \$53,937 | 8.14 | 439,049 |
| 7 | 0.4% | \$120,414 | \$17,842 | \$25,377 | \$77,196 | 23.05 | 1,779,364 |
| Total | | \$312,901 | \$32,504 | \$25,377 | \$255,020 | | \$2,719,022 |
| (7) Diversification Factor: | | | | | | | 0.410 |

Notes: Losses include loss and 17.0% LAE

(8) Total Diversified Retained Risk Provision (in \$): \$1,115,563
= (6) Total * (7)

(9) Arkansas AP&C Owners AIYs*: 6,170,288

(10) Indicated Retained Risk Provision per AIY: 0.181
= (8) / (9)

(11) Selected Retained Risk Provision per AIY: 0.000

*1 AIY = One Amount of Insurance Years = \$1000 of Coverage in Force for One Year

ATTACHMENT V

Contingency Factor Support Explanatory Memorandum

**ALLSTATE INSURANCE GROUP
HOMEOWNERS
ARKANSAS**

**CONTINGENCY FACTOR SUPPORT
EXPLANATORY MEMORANDUM**

Definitions

Please note that within this filing, the following terms and their definitions are used:

Owners Policy – a policy which covers a freestanding dwelling or townhome that is not classified as a manufactured home.

Homeowners Policy – An owners, condo, co-op, or renters policy.

Contingency Factor

This memo provides explanation regarding Allstate’s methodology for calculating a contingency provision to be used in its Homeowner rate level.

Actuarial Standard of Practice (ASOP) No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*, defines the contingency provision for ratemaking purposes as follows: A provision for the expected differences, if any, between the estimated costs and the average actual costs, that cannot be eliminated by changes in other components of the ratemaking process. ASOP No. 30 goes on to state that:

- The actuary should include a contingency provision in the rates if assumptions used in ratemaking produce cost estimates that are not expected to equal average actual costs, and if the difference cannot be eliminated by changes in other components of the ratemaking process.
- While estimated costs are intended to equal average actual costs over time, differences between estimated and actual risk transfer costs may be expected in any given year. If a difference persists, the difference should be reflected in the ratemaking calculations as a contingency provision. The contingency provision is not intended to measure the variability of results and is not expected to contribute to profit.

Estimating the impact of costs that “cannot be eliminated by changes in other components of the ratemaking process” can be a challenge, and there has not yet emerged an ideal methodology for it.¹ Steven G. Lehmann, in his paper titled *Contingency Margins in Rate Calculations* notes, “How do you measure the ‘unmeasurable’? Some may argue that measurement of the contingency factor is impossible because, by their very nature, contingencies are events which are not susceptible to treatment in the normal ratemaking approach – things you cannot plan for” (pg 227). As a result, historically, some actuaries have simply built in a provision that seemed

¹ CAS literature has been surprisingly quiet on contingency provision methodology. The most recent paper addressing the issue was written in 1985 by Steven G Lehmann.

“reasonable” using actuarial judgment. Conversely, Allstate has completed two different analyses intended to help give guidance as to what is a reasonable contingency provision. One approach is to determine what portion of historical losses came from events that were not intended to be covered. The other approach is to compare expected losses to actual losses over a long period of time to see if a difference persists. Each approach is described in detail below.

Unexpected Loss Analysis

Even if an actuary has available relevant, credible data and uses the best, state-of-the-art actuarial techniques, there may still be instances where estimated future costs differ from actual future costs. The factors causing this situation to occur are outside the actuary’s ability to predict and the insurer’s ability to control. Examples would include (but not be limited to) court decisions, legislative action, and media influence on the public’s behavior.

In spite of the inability to foresee specific events, an insurer may look back at recent history and identify past events that triggered unexpected payments. Given the highly regulated nature of the property and casualty insurance industry and the large amounts of money that flow through an insurance organization, it is reasonable to assume that adverse court decisions and similar unexpected events will occur again in the future. Courts and regulatory bodies are likely to continue to respond to lawsuits and other attempts at unexpected application of an insurance policy’s coverage. As outlined in the Actuarial Standard of Practice referenced above, these events should be accounted for in ratemaking in the form of a contingency provision.

The unexpected loss methodology for calculating a contingency provision allows for more specificity around the type of events that are included. We have reviewed loss experience and have identified a number of representative events that are appropriate to a contingency provision, due to their unanticipated nature. Considered events include the following: court decisions redefining the cause of loss for earth movement- and landslide-related loss, sinkholes, failure to disclose (in connection with sale of a home), oil tank leakage, foundation slab losses, mold, methamphetamine lab damage, legislated exceptions to policy language, flooding, lead paint poisoning, imminent collapse, terrorism, radiant floor heating systems, dog bites, and drug cartel wars. Identifying these events through Allstate claim file narratives allows us to exclude claims that are not appropriate to a contingency provision, such as normal low frequency, high severity events and regulatory delay situations. The effect of inflation is also excluded.

Some of these losses are too old to obtain reliable loss data at the claim level of detail. Some of these losses are too new to have worked into our data yet. Some events are excluded because, even with sophisticated computer programs, losses are not specifically tracked and so can’t be separated from other loss data for inclusion in Allstate’s computations. Some events simply did not produce a frequency of loss to materially impact our calculations. However, each event mentioned above illustrates that unforeseen loss does occur. This can be the case when a legislative or court decision expands the scope of Allstate’s policy coverage, or when the media unexpectedly focuses attention on a health issue or other item of public concern. Other as-yet-unknown influences that Allstate cannot predict or price for will also likely affect claims payments in the future.

In order to estimate an appropriate contingency provision, we have selected a group of events from the above list of considered events (including oil tanks, slab losses, mold and flooding) for which we can obtain more detailed loss data. It is not our intention to price these specifically named events, but to use these events as a proxy for unforeseen events occurring in the future. Issues which triggered payments over several years cannot be considered “unexpected” for an indefinite period of time. In these cases, we have judgmentally included losses from the first three years following the initial event. After three years we assume that these losses are present in our indications data and that we have priced sufficiently for the event’s exposure in our rates. Some events are of shorter duration and so fewer than three years of losses are included in the calculations. Note also that data includes some low frequency, high severity losses. Such losses are more appropriately accounted for with a long-term provision rather than in a contingency provision, and Allstate does calculate an adequate weather provision (theoretically sound and calculated over a sufficiently long period of time). However, the legislative, media and other influences that generate unexpected losses can also affect such losses. Therefore, these losses are included in our analysis when they stem from one of the issues in question. Losses are included for Allstate’s Owners, Renters and Condo forms. While we do not have sufficient data to calculate a contingency factor using only OWNERS data, it is our belief that the provision developed using Allstate’s Owners, Renters and Condo forms is appropriate for the OWNERS form as well.

Attachment VI, Exhibit 18 shows the sum of all claims divided by countrywide homeowners accident year non-catastrophe losses from 1996 – 2003, adjusted for expense provisions. This time period was chosen to match the time period of losses readily available to us (our claim files older than 1996 cannot be effectively reviewed to extract specific losses). Our analysis was completed in 2004, and due to systems modifications since then, retrieving data at this level of detail would require extensive effort. Losses for some events have been adjusted downward to reflect the fact that, despite the sophistication of our analysis, some claims unrelated to the issue in question can be unintentionally included in the loss totals.

Expected Loss Versus Actual Loss Analysis

As noted above, ASOP 30 states: “While estimated costs are intended to equal average actual costs over time, differences between estimated and actual risk transfer costs may be expected in any given year. If a difference persists, the difference should be reflected in the ratemaking calculations as a contingency provision.” Thus, the goal of Allstate’s second analysis is to determine if there is a persistent difference between actual and expected losses.

In this approach, Allstate’s rate-level indication methodology was replicated for historical non-catastrophe losses, and the estimate of a future year’s losses is compared to the actual losses for that year. For example, data from 1997, 1998, and 1999 is used to calculate an estimate of losses for the year 2000. This estimate is then compared to the actual losses for the year 2000. This process was repeated using data going back to 1992. However, note that, we have opted to allow the actual losses to develop for three additional years in order to have an actual loss value that is close to its ultimate value. As a result, the most recent data used in the analysis will always lag behind the current year by approximately three years.

Attachment VI, Exhibit 18 shows the results of the historical comparison of expected and actual losses. This long-term difference is then divided by total losses to get a percentage, and is then adjusted for expense provisions.

ATTACHMENT VI

Rate Level Indication Exhibits

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Summary of Rate Level Changes

| | Premium Distribution at Current Rates | Indicated Change | Selected Change |
|--------------------------------|--|-----------------------------|----------------------------|
| Variable Package Premium | 91.6% | N/A | 20.7% |
| Fixed Expense Premium | 4.9% | N/A | N/C |
| Additional Coverages | 2.7% | N/A | N/C |
| Total Owners (non-NCOR) | 99.1% | 21.7% | 19.2% |
| NCOR | 0.9% | -22% ** | N/C |
| Total Owners | 100.0% | 21.5% | 19.0% |

*NCOR = Net Cost of Reinsurance

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Determination of Statewide Rate Level Indication

| | |
|---|------------|
| 1) Indicated Provision for Loss and Loss Adjustment Expense [(a) + (b) + (c) + (d)] | \$1,025.78 |
| a) Non-Weather Loss and LAE | \$429.83 |
| b) Weather Loss and LAE | \$582.19 |
| c) Low-Layer Retained and Ceded Hurricane Loss and LAE | \$2.11 |
| d) High-Layer Retained Hurricane Loss and LAE | \$11.65 |
| 2) Current Fixed Expense Ratio | 11.0 % |
| 3) Three Year Average Earned Premium | \$1,006.43 |
| 4) Current Dollar Provision for Fixed Expense [(2) x (3)] | \$110.71 |
| 5) Factor to Adjust for Subsequent Change in Fixed Expense | 1.088 |
| 6) Indicated Provision for Fixed Expense [(4) x (5)] | \$120.45 |
| 7) Variable Expense, Contingencies Ratio, and Profit Ratio [(a) + (b) + (c)] | 26.9 % |
| a) Variable Expense Ratio (including Commissions, Taxes, and Debt Provision) | 16.3 % |
| b) Contingencies Ratio | 2.0 % |
| c) Profit Ratio | 8.6 % |
| 8) Selected Retained Risk Provision | \$0.00 |
| 9) Indicated Average Premium [(a) + (b)] | \$1,568.03 |
| a) Non-Weather Loss and LAE | \$1,568.03 |
| Weather Loss and LAE | |
| Low-Layer Retained and Ceded Hurricane Loss and LAE | |
| High-Layer Retained Hurricane Loss and LAE | |
| Fixed Expense | |
| [(1a) + (1b) + (1c) + (1d) + (6)] / [1 - (7 Total)] | |
| b) Retained Risk Provision (8) / [1 - (7a)] | \$0.00 |
| 10) Projected Average Earned Premium at Current Rates | \$1,288.72 |
| 11) Indicated Rate Level Change [(9 Total) / (10) - 1.0] | 21.7 % |

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Development of Provision for Non-Weather Loss and LAE
Non-Weather Peril excluding Earthquake

| Fiscal Year Ending | (1) Earned Exposures | (2) Accident Year * Non-Weather Ultimate Loss | (3) Non-Weather Ultimate Loss and LAE | (4) Factor to Adjust Losses for Pure Premium Trend | (5) Projected Non- Weather Ultimate Loss and LAE | (6) Projected Average Non-Weather Loss and LAE | (7) Experience Year Weights |
|--|-------------------------|--|---|---|--|---|-----------------------------------|
| 12/31/2009 | 30,134 | 14,485,000 | \$16,585,325 | 1.000 | \$16,585,325 | \$550.39 | 20% |
| 12/31/2010 | 31,630 | 14,166,000 | \$16,220,070 | 1.000 | 16,220,070 | 512.81 | 20% |
| 12/31/2011 | 31,901 | 7,652,000 | \$8,761,540 | 1.000 | 8,761,540 | 274.65 | 20% |
| 12/31/2012 | 31,640 | 12,231,000 | \$14,004,495 | 1.000 | 14,004,495 | 442.62 | 20% |
| 12/31/2013 | 30,620 | 9,859,000 | \$11,288,555 | 1.000 | 11,288,555 | 368.67 | 20% |
| (8) Indicated Provision for Non-Weather Loss and LAE | | | | | | \$429.83 | |

* Evaluated at 12 months

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Development of Provision for Weather Loss and LAE
Total Weather Peril

| Accident Year* Ending | (1) Accident Year * Ultimate Severity | (2) Ultimate Severity incl. LAE | (3) Severity Trend Factor | (4) Projected Ultimate Severity incl. LAE | (7) Experience Year Weights |
|---|---|--|---------------------------------|--|-----------------------------------|
| 12/31/2009 | \$3,855.71 | \$4,414.79 | 1.132 | \$4,997.54 | 20% |
| 12/31/2010 | \$5,025.09 | \$5,753.73 | 1.110 | 6,386.64 | 20% |
| 12/31/2011 | \$5,780.90 | \$6,619.13 | 1.088 | 7,201.61 | 20% |
| 12/31/2012 | \$3,696.40 | \$4,232.38 | 1.067 | 4,515.95 | 20% |
| 12/31/2013 | \$3,705.68 | \$4,243.00 | 1.046 | 4,438.18 | 20% |
| (8) Indicated Provision for Severity Including All LAE | | | | \$5,507.98 | |
| (9) Indicated Provision for Frequency | | | | 10.57% | |
| (10) Indicated Provision for Weather Loss and LAE | | | | \$582.19 | |

* Evaluated at 12 months

Allstate Insurance Group
Owners
Arkansas

Calculation of Loss Development Factors
Non-Weather Peril excluding Earthquake

Incurred Losses †

| Fiscal Accident Year Ending 12/31 | 12 Months | 24 Months | 36 Months | 48 Months | 60 Months | 72 Months | 84 Months‡ | Earned Exposures |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|---------------------|
| 2002 | | | | | | | 6,464,490 | 30,495 |
| 2003 | | | | | | 6,271,624 | 6,286,887 | 40,220 |
| 2004 | | | | | 5,417,323 | 5,415,236 | 5,415,235 | 45,361 |
| 2005 | | | | 5,232,110 | 5,237,283 | 5,236,747 | 5,209,343 | 48,589 |
| 2006 | | | 10,099,611 | 10,059,511 | 10,073,229 | 10,072,914 | 10,074,513 | 52,159 |
| 2007 | | 12,946,513 | 12,990,133 | 13,044,953 | 13,071,211 | | 13,132,499 | 57,038 |
| 2008 | 14,956,854 | 15,276,445 | 15,428,846 | 15,433,783 | 15,435,542 | 15,430,916 | | 59,242 |
| 2009 | 18,806,058 | 19,806,248 | 19,737,013 | 19,825,582 | 19,782,197 | | | 60,230 |
| 2010 | 17,710,093 | 19,276,389 | 19,463,319 | 19,491,519 | | | | 58,381 |
| 2011 | 12,252,597 | 13,089,209 | 13,111,077 | | | | | 55,750 |
| 2012 | 14,470,002 | 16,009,248 | | | | | | 50,982 |
| 2013 | 11,506,797 | | | | | | | 46,893 |

Selected Trend: 0.0%

Trended Incurred Losses

| Fiscal Accident Year Ending 12/31 | 12 Months | 24 Months | 36 Months | 48 Months | 60 Months | 72 Months | 84 Months‡ |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| 2002 | | | | | | | 6,464,490 |
| 2003 | | | | | | 6,271,624 | 6,286,887 |
| 2004 | | | | | 5,417,323 | 5,415,236 | 5,415,235 |
| 2005 | | | | 5,232,110 | 5,237,283 | 5,236,747 | 5,209,343 |
| 2006 | | | 10,099,611 | 10,059,511 | 10,073,229 | 10,072,914 | 10,074,513 |
| 2007 | | 12,946,513 | 12,990,133 | 13,044,953 | 13,071,211 | 13,064,297 | 13,132,499 |
| 2008 | 14,956,854 | 15,276,445 | 15,428,846 | 15,433,783 | 15,435,542 | 15,430,916 | |
| 2009 | 18,806,058 | 19,806,248 | 19,737,013 | 19,825,582 | 19,782,197 | | |
| 2010 | 17,710,093 | 19,276,389 | 19,463,319 | 19,491,519 | | | |
| 2011 | 12,252,597 | 13,089,209 | 13,111,077 | | | | |
| 2012 | 14,470,002 | 16,009,248 | | | | | |
| 2013 | 11,506,797 | | | | | | |

Trended Additive Amounts per Exposure

| Development | 12 to 24 | 24 to 36 | 36 to 48 | 48 to 60 | 60 to 72 | 72 to 84 |
|--------------------------|----------|----------|----------|----------|----------|----------|
| 4th Prior | 5.395 | 0.765 | -0.769 | 0.106 | -0.046 | 0.379 |
| 3rd Prior | 16.606 | 2.573 | 0.961 | 0.263 | -0.011 | 0.000 |
| 2nd Prior | 26.829 | -1.150 | 0.083 | 0.460 | -0.006 | -0.564 |
| 1st Prior | 15.006 | 3.202 | 1.471 | 0.030 | -0.121 | 0.031 |
| Latest | 30.192 | 0.392 | 0.483 | -0.720 | -0.078 | 1.196 |
| 5 Year Weighted Average: | 18.49 | 1.15 | 0.48 | 0.01 | -0.06 | 0.24 |
| Selected: | 18.49 | 1.15 | 0.48 | 0.01 | -0.06 | 0.24 |

Selected Methodology

Additive Method

| | | | | | |
|-------------------------------------|-----------|------------|-----------|------------|------------|
| Loss Development Period (months): | 12 - 84 | 24 - 84 | 36 - 84 | 48 - 84 | 60 - 84 |
| Additive Amt per Exp: | 20.31 | 1.82 | 0.67 | 0.19 | 0.18 |
| Selected Ultimate Loss & ALAE: | 9,858,764 | 12,230,535 | 7,652,950 | 14,165,306 | 14,484,291 |

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property and Casualty Insurance Company

| Year | Trended Age-to-Ult Additive Amt Per Exposure | Earned Exposures | Trended Losses Yet To Emerge | De-Trended Losses Yet To Emerge | Incurred Loss & ALAE | Ultimate Loss & ALAE |
|------|---|---------------------|------------------------------------|---------------------------------------|-------------------------|-------------------------|
| 2009 | 0.18 | 30,134 | 5,424 | 5,424 | 14,478,867 | 14,484,291 |
| 2010 | 0.19 | 31,630 | 6,010 | 6,010 | 14,159,296 | 14,165,306 |
| 2011 | 0.67 | 31,901 | 21,374 | 21,374 | 7,631,576 | 7,652,950 |
| 2012 | 1.82 | 31,640 | 57,585 | 57,585 | 12,172,950 | 12,230,535 |
| 2013 | 20.31 | 30,620 | 621,892 | 621,892 | 9,236,872 | 9,858,764 |

Allstate Insurance Group
Owners
Arkansas

Calculation of Loss Development Factors
Liability
Incurred Losses †

| Fiscal Accident Year Ending 12/31 | 12 Months | 24 Months | 36 Months | 48 Months | 60 Months | 72 Months | 84 Months‡ |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| 2002 | | | | | | | 481,946 |
| 2003 | | | | | | 171,904 | 187,167 |
| 2004 | | | | | 160,872 | 158,605 | 158,604 |
| 2005 | | | | 214,463 | 222,526 | 223,819 | 198,765 |
| 2006 | | | 435,804 | 457,639 | 459,075 | 459,075 | 459,076 |
| 2007 | | 326,802 | 328,630 | 383,847 | 403,309 | 388,491 | 388,493 |
| 2008 | 278,777 | 440,442 | 566,854 | 577,971 | 577,971 | 577,971 | |
| 2009 | 293,242 | 357,601 | 418,918 | 385,848 | 393,279 | | |
| 2010 | 233,878 | 427,609 | 610,094 | 626,640 | | | |
| 2011 | 252,178 | 192,248 | 200,933 | | | | |
| 2012 | 440,699 | 919,406 | | | | | |
| 2013 | 131,500 | | | | | | |

Link Ratios

| Development | 12 to 24 | 24 to 36 | 36 to 48 | 48 to 60 | 60 to 72 | 72 to 84 |
|-----------------|----------|----------|----------|----------|----------|----------|
| 4th Prior | 1.580 | 1.006 | 1.050 | 1.038 | 0.986 | 1.089 |
| 3rd Prior | 1.219 | 1.287 | 1.168 | 1.003 | 1.006 | 1.000 |
| 2nd Prior | 1.828 | 1.171 | 1.020 | 1.051 | 1.000 | 0.888 |
| 1st Prior | 0.762 | 1.427 | 0.921 | 1.000 | 0.963 | 1.000 |
| Latest | 2.086 | 1.045 | 1.027 | 1.019 | 1.000 | 1.000 |
| 5 Year Average: | 1.495 | 1.187 | 1.037 | 1.022 | 0.991 | 0.995 |
| Selected: | 1.495 | 1.187 | 1.037 | 1.022 | 0.991 | 0.995 |

Selected Methodology

Link Ratio Method

| | | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Loss Development Period (months): | <u>12 - 84</u> | <u>24 - 84</u> | <u>36 - 84</u> | <u>48 - 84</u> | <u>60 - 84</u> |
| Loss Development Factor: | 1.854 | 1.240 | 1.045 | 1.008 | 0.986 |

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property and Casualty Insurance Company

| Year | Incurred Loss | Factor to Ultimate | Ultimate Loss & ALAE |
|------|---------------|--------------------|-------------------------|
| 2009 | \$256,171 | 0.986 | 252,585 |
| 2010 | \$508,276 | 1.008 | 512,342 |
| 2011 | \$146,940 | 1.045 | 153,552 |
| 2012 | \$788,823 | 1.240 | 978,141 |
| 2013 | \$98,045 | 1.854 | 181,775 |

Allstate Insurance Group
Owners
Arkansas

Calculation of Loss Development Factors
Non-Weather Excluding Liability
Incurred Losses †

| Fiscal Accident Year Ending 12/31 | 12 Months | 24 Months | 36 Months | 48 Months | 60 Months | 72 Months | 84 Months‡ |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------|
| 2002 | | | | | | | 5,982,544 |
| 2003 | | | | | | 6,099,720 | 6,099,720 |
| 2004 | | | | | 5,256,451 | 5,256,631 | 5,256,631 |
| 2005 | | | | 5,017,647 | 5,014,757 | 5,012,928 | 5,010,578 |
| 2006 | | | 9,663,807 | 9,601,872 | 9,614,154 | 9,613,839 | 9,615,437 |
| 2007 | | 12,619,711 | 12,661,503 | 12,661,106 | 12,667,902 | 12,675,806 | 12,744,006 |
| 2008 | 14,678,077 | 14,836,003 | 14,861,992 | 14,855,812 | 14,857,571 | 14,852,945 | |
| 2009 | 18,512,816 | 19,448,647 | 19,318,095 | 19,439,734 | 19,388,918 | | |
| 2010 | 17,476,215 | 18,848,780 | 18,853,225 | 18,864,879 | | | |
| 2011 | 12,000,419 | 12,896,961 | 12,910,144 | | | | |
| 2012 | 14,029,303 | 15,089,842 | | | | | |
| 2013 | 11,375,297 | | | | | | |
| Link Ratios | | | | | | | |
| <u>Development</u> | <u>12 to 24</u> | <u>24 to 36</u> | <u>36 to 48</u> | <u>48 to 60</u> | <u>60 to 72</u> | <u>72 to 84</u> | |
| 4th Prior | 1.011 | 1.003 | 0.994 | 0.999 | 1.000 | 1.000 | |
| 3rd Prior | 1.051 | 1.002 | 1.000 | 1.001 | 1.000 | 1.000 | |
| 2nd Prior | 1.079 | 0.993 | 1.000 | 1.001 | 1.000 | 1.000 | |
| 1st Prior | 1.075 | 1.000 | 1.006 | 1.000 | 1.001 | 1.000 | |
| Latest | 1.076 | 1.001 | 1.001 | 0.997 | 1.000 | 1.005 | |
| 5 Year Average: | 1.058 | 1.000 | 1.000 | 1.000 | 1.000 | 1.001 | |
| Selected: | 1.058 | 1.000 | 1.000 | 1.000 | 1.000 | 1.001 | |

Selected Methodology

Link Ratio Method

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Loss Development Period (months): | <u>12 - 84</u> | <u>24 - 84</u> | <u>36 - 84</u> | <u>48 - 84</u> | <u>60 - 84</u> |
| Loss Development Factor: | 1.059 | 1.001 | 1.001 | 1.001 | 1.001 |

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property and Casualty Insurance Company

| Year | Incurred Loss | Factor to Ultimate | Ultimate Loss & ALAE |
|------|---------------|--------------------|-------------------------|
| 2009 | \$14,222,696 | 1.001 | 14,236,919 |
| 2010 | \$13,651,020 | 1.001 | 13,664,671 |
| 2011 | \$7,484,636 | 1.001 | 7,492,121 |
| 2012 | \$11,384,127 | 1.001 | 11,395,511 |
| 2013 | \$9,138,827 | 1.059 | 9,678,018 |

Allstate Property and Casualty Insurance Company
Arkansas
Owners

Ultimate Losses & ALAE
Total Non-Weather Peril

| Ultimate Losses & ALAE | | | |
|-----------------------------------|--|-------------------------------------|------------------------|
| <u>Year</u> | <u>Link Ratio Estimate*</u> | <u>Additive Estimate</u> | <u>Selected</u> |
| 2009 | 14,489,504 | 14,484,291 | 14,485,000 |
| 2010 | 14,177,013 | 14,165,306 | 14,166,000 |
| 2011 | 7,645,673 | 7,652,950 | 7,652,000 |
| 2012 | 12,373,652 | 12,230,535 | 12,231,000 |
| 2013 | 9,859,793 | 9,858,764 | 9,859,000 |

* Link Ratio includes Liability and All Excluding Liability, excluding Earthquake.

ALLSTATE INSURANCE GROUP*

**Countrywide Expense Experience
Unallocated Loss Adjustment Expense (Adjusting and Other Expense) Factors****

2010, 2011 & 2012

| | <u>2010 - 2012</u> |
|---|--------------------|
| 1. Direct Losses and Allocated Loss Adjustment Expense Incurred excluding Earthquake and Hurricane Losses | \$ 42,988,150 |
| 2. Direct Unallocated Loss Adjustment Expense Incurred excluding Earthquake and Hurricane | \$ 6,253,054 |
| 3. Ratio (2)/(1) | 0.145 |
| 4. Proposed Provision | 0.145 |

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company
Allstate County Mutual Insurance Company, Allstate Fire & Casualty, Northbrook Indemnity,
Allstate Vehicle & Property Insurance Company, and Allstate Texas Lloyds.

** Includes Personal Property Lines and Private Passenger Automobile Insurance

(000 Omitted)

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Calculation of Pure Premium Trend Factor

| <u>Peril</u> | Selected Annual Pure Premium Impacts | |
|--|--------------------------------------|------------------|
| | <u>Historical</u> | <u>Projected</u> |
| Non-Weather Peril excluding Earthquake | 0.00% | 0.00% |

| | <u>4th Prior Year</u> | <u>3rd Prior Year</u> | <u>2nd Prior Year</u> | <u>1st Prior Year</u> | <u>Current Year</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| 1) Loss Trend Projection Date | 10/9/2015 | 10/9/2015 | 10/9/2015 | 10/9/2015 | 10/9/2015 |
| 2) Mid-Point of Current Year's Experience Period | 6/30/2013 | 6/30/2013 | 6/30/2013 | 6/30/2013 | 6/30/2013 |
| 3) Experience Period Ended | 12/31/2009 | 12/31/2010 | 12/31/2011 | 12/31/2012 | 12/31/2013 |
| 4) Midpoint of Experience Period | 6/30/2009 | 6/30/2010 | 6/30/2011 | 6/30/2012 | 6/30/2013 |
| 5) Historical: Number of Years from (4) to (2) | 4.000 | 3.000 | 2.000 | 1.000 | 0.000 |
| 6) Projected: Number of Years from (2) to (1) | 2.276 | 2.276 | 2.276 | 2.276 | 2.276 |

Calculation of Trend Factors

(a) Historical Pure Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Pure Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust Losses for Pure Premium Trend = (a) x (b)

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Loss Trends - Pure Premium
Non-Weather Peril excluding Earthquake

| Year Ending | Actual Paid Pure | | Exponential Curve of Best Fit | | |
|--|------------------|---------------|-------------------------------|--------|---------|
| | Premium | Annual Change | 24 pt. | 12 pt. | 6 pt. |
| 03/08 | 377.20 | -29.23 % | 381.68 | | |
| 06/08 | 357.52 | 8.64 | 379.76 | | |
| 09/08 | 346.43 | -19.32 | 377.84 | | |
| 12/08 | 337.88 | -13.10 | 375.93 | | |
| 03/09 | 375.85 | -0.36 | 374.03 | | |
| 06/09 | 349.10 | -2.36 | 372.14 | | |
| 09/09 | 390.91 | 12.84 | 370.26 | | |
| 12/09 | 437.90 | 29.60 | 368.39 | | |
| 03/10 | 442.05 | 17.62 | 366.53 | | |
| 06/10 | 437.87 | 25.43 | 364.68 | | |
| 09/10 | 395.31 | 1.13 | 362.83 | | |
| 12/10 | 372.97 | -14.83 | 361.00 | | |
| 03/11 | 370.26 | -16.24 | 359.18 | 324.41 | |
| 06/11 | 372.52 | -14.93 | 357.36 | 326.86 | |
| 09/11 | 344.40 | -12.88 | 355.56 | 329.32 | |
| 12/11 | 310.35 | -16.79 | 353.76 | 331.81 | |
| 03/12 | 264.97 | -28.44 | 351.97 | 334.32 | |
| 06/12 | 281.78 | -24.36 | 350.19 | 336.84 | |
| 09/12 | 328.01 | -4.76 | 348.42 | 339.38 | 331.78 |
| 12/12 | 309.69 | -0.21 | 346.66 | 341.95 | 341.18 |
| 03/13 | 388.90 | 46.77 | 344.91 | 344.53 | 350.84 |
| 06/13 | 391.20 | 38.83 | 343.17 | 347.13 | 360.77 |
| 09/13 | 361.28 | 10.14 | 341.44 | 349.75 | 370.99 |
| 12/13 | 363.17 | 17.27 | 339.71 | 352.39 | 381.49 |
| Regression | | | 24 pt. | 12 pt. | 6 pt. |
| Avg Annual Percent Change Based on Best Fit: | | | -2.01 % | 3.05 % | 11.82 % |
| State Credibility based on 597 Paid Claims | | | | | |
| In Year Ending 12/2013: | | | 24 % | 24 % | 24 % |

Allstate Insurance Group
Owners
Arkansas

Provision for Weather Frequency

| (1) Accident Year Ending | (2) Earned Exposures | (3) Accident Year * Paid Claims | (4) Accident Year Paid Frequency | (5) Accident Year Ultimate Paid Frequency |
|---|----------------------------|---------------------------------------|--|--|
| 1989 | 49,696 | 6,408 | 12.89% | 12.89% |
| 1990 | 50,237 | 4,701 | 9.36% | 9.36% |
| 1991 | 48,759 | 5,012 | 10.28% | 10.28% |
| 1992 | 44,726 | 3,743 | 8.37% | 8.37% |
| 1993 | 41,327 | 2,778 | 6.72% | 6.72% |
| 1994 | 39,352 | 4,447 | 11.30% | 11.30% |
| 1995 | 38,666 | 3,232 | 8.36% | 8.36% |
| 1996 | 38,269 | 9,391 | 24.54% | 24.54% |
| 1997 | 38,091 | 2,418 | 6.35% | 6.35% |
| 1998 | 38,208 | 2,583 | 6.76% | 6.76% |
| 1999 | 37,930 | 5,935 | 15.65% | 15.65% |
| 2000 | 37,616 | 8,198 | 21.79% | 21.79% |
| 2001 | 35,907 | 2,653 | 7.39% | 7.39% |
| 2002 | 30,495 | 2,155 | 7.07% | 7.07% |
| 2003 | 40,220 | 2,442 | 6.07% | 6.07% |
| 2004 | 45,361 | 2,198 | 4.85% | 4.85% |
| 2005 | 48,582 | 2,295 | 4.72% | 4.72% |
| 2006 | 51,839 | 5,336 | 10.29% | 10.29% |
| 2007 | 56,139 | 2,251 | 4.01% | 4.01% |
| 2008 | 57,716 | 11,471 | 19.87% | 19.87% |
| 2009 | 58,233 | 13,017 | 22.35% | 22.35% |
| 2010 | 56,128 | 3,896 | 6.94% | 6.94% |
| 2011 | 53,460 | 8,854 | 16.56% | 16.58% |
| 2012 | 50,353 | 3,606 | 7.16% | 7.18% |
| 2013 | 46,893 | 1,895 | 4.04% | 4.59% |
| (6) Arkansas Weather Frequency Provision | | | | 10.57% |

* Evaluated at 12 months

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Calculation of Weather Loss Severity Trend Factor

| <u>Peril</u> | Selected Annual Pure Premium Impacts | |
|---------------|--------------------------------------|------------------|
| | <u>Historical</u> | <u>Projected</u> |
| Weather Peril | 2.00% | 2.00% |

| | <u>4th Prior Year</u> | <u>3rd Prior Year</u> | <u>2nd Prior Year</u> | <u>1st Prior Year</u> | <u>Current Year</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| 1) Loss Trend Projection Date | 10/9/2015 | 10/9/2015 | 10/9/2015 | 10/9/2015 | 10/9/2015 |
| 2) Mid-Point of Current Year's Experience Period | 6/30/2013 | 6/30/2013 | 6/30/2013 | 6/30/2013 | 6/30/2013 |
| 3) Experience Period Ended | 12/31/2009 | 12/31/2010 | 12/31/2011 | 12/31/2012 | 12/31/2013 |
| 4) Midpoint of Experience Period | 6/30/2009 | 6/30/2010 | 6/30/2011 | 6/30/2012 | 6/30/2013 |
| 5) Historical: Number of Years from (4) to (2) | 4.000 | 3.000 | 2.000 | 1.000 | 0.000 |
| 6) Projected: Number of Years from (2) to (1) | 2.276 | 2.276 | 2.276 | 2.276 | 2.276 |

Calculation of Trend Factors

(a) Historical Weather Loss Severity Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Weather Loss Severity Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust Losses for Weather Loss Severity Trend = (a) x (b)

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Loss Trends - Severity
Total Weather Peril

| Year Ending | Actual Paid | | Exponential Curve of Best Fit | | |
|--|-------------|---------------|-------------------------------|----------|----------|
| | Severity | Annual Change | 24 pt. | 12 pt. | 6 pt. |
| 03/08 | 3,433.46 | -29.72 % | 4,348.54 | | |
| 06/08 | 4,338.94 | 11.07 | 4,353.00 | | |
| 09/08 | 4,513.33 | 8.41 | 4,357.47 | | |
| 12/08 | 4,657.95 | 20.84 | 4,361.94 | | |
| 03/09 | 4,028.18 | 17.32 | 4,366.41 | | |
| 06/09 | 3,412.19 | -21.36 | 4,370.89 | | |
| 09/09 | 3,628.79 | -19.60 | 4,375.37 | | |
| 12/09 | 3,773.77 | -18.98 | 4,379.86 | | |
| 03/10 | 4,677.85 | 16.13 | 4,384.35 | | |
| 06/10 | 5,013.77 | 46.94 | 4,388.85 | | |
| 09/10 | 5,020.96 | 38.36 | 4,393.35 | | |
| 12/10 | 4,931.68 | 30.68 | 4,397.85 | | |
| 03/11 | 4,824.90 | 3.14 | 4,402.36 | 5,958.73 | |
| 06/11 | 4,833.20 | -3.60 | 4,406.88 | 5,676.02 | |
| 09/11 | 5,215.70 | 3.88 | 4,411.40 | 5,406.74 | |
| 12/11 | 5,469.59 | 10.91 | 4,415.92 | 5,150.22 | |
| 03/12 | 5,602.62 | 16.12 | 4,420.45 | 4,905.88 | |
| 06/12 | 6,313.09 | 30.62 | 4,424.98 | 4,673.13 | |
| 09/12 | 5,646.95 | 8.27 | 4,429.52 | 4,451.42 | 5,247.61 |
| 12/12 | 4,784.50 | -12.53 | 4,434.06 | 4,240.23 | 4,653.48 |
| 03/13 | 3,727.14 | -33.48 | 4,438.61 | 4,039.06 | 4,126.62 |
| 06/13 | 3,368.41 | -46.64 | 4,443.16 | 3,847.43 | 3,659.40 |
| 09/13 | 3,223.70 | -42.91 | 4,447.72 | 3,664.90 | 3,245.09 |
| 12/13 | 3,149.25 | -34.18 | 4,452.28 | 3,491.02 | 2,877.68 |
| Regression | | | 24 pt. | 12 pt. | 6 pt. |
| Avg Annual Percent Change Based on Best Fit: | | | 0.41 % | -17.67 % | -38.16 % |
| State Credibility based on 1869 Paid Claims | | | | | |
| In Year Ending 12/2013: | | | 42 % | 42 % | 42 % |

Allstate Insurance Group
Owners
Arkansas

Calculation of Frequency Development Factors
Weather Peril
Paid Frequency

| Accident Year Ending | 12 Months | 24 Months | 36 Months | 48 Months | 60 Months | 72 Months | 84 Months |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 2002 | | | | | | | 7.07% |
| 2003 | | | | | | 6.07% | 6.07% |
| 2004 | | | | | 4.85% | 4.85% | 4.85% |
| 2005 | | | | 4.72% | 4.72% | 4.73% | 4.73% |
| 2006 | | | 10.22% | 10.24% | 10.24% | 10.25% | 10.25% |
| 2007 | | 3.96% | 3.97% | 3.98% | 3.98% | 3.98% | 3.98% |
| 2008 | 19.27% | 19.90% | 19.93% | 19.93% | 19.94% | 19.94% | |
| 2009 | 20.91% | 22.10% | 22.12% | 22.12% | 22.12% | | |
| 2010 | 6.53% | 6.94% | 6.94% | 6.94% | | | |
| 2011 | 15.71% | 16.57% | 16.62% | | | | |
| 2012 | 4.88% | 7.14% | | | | | |
| 2013 | 4.04% | | | | | | |
| Link Ratios | | | | | | | |
| Development | 12 to 24 | 24 to 36 | 36 to 48 | 48 to 60 | 60 to 72 | 72 to 84 | |
| 4th Prior | 1.033 | 1.003 | 1.002 | 1.000 | 1.000 | 1.000 | |
| 3rd Prior | 1.057 | 1.001 | 1.001 | 1.000 | 1.000 | 1.000 | |
| 2nd Prior | 1.061 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | |
| 1st Prior | 1.055 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | |
| Latest | 1.462 | 1.003 | 1.000 | 1.000 | 1.000 | 1.000 | |
| 5 Year Average: | 1.134 | 1.002 | 1.001 | 1.000 | 1.000 | 1.000 | |
| Selected: | 1.134 | 1.002 | 1.001 | 1.000 | 1.000 | 1.000 | |

Selected Methodology

Link Ratio Method

| | | | | | |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Development Period (months): | <u>12 - 84</u> | <u>24 - 84</u> | <u>36 - 84</u> | <u>48 - 84</u> | <u>60 - 84</u> |
| Frequency Development Factor: | 1.137 | 1.003 | 1.001 | 1.000 | 1.000 |
| Selected Ultimate Frequency: | 4.59% | 7.18% | 16.58% | 6.94% | 22.35% |

Allstate Insurance Group

| Year | Paid Frequency | Factor to Ultimate | Ultimate Frequency |
|------|----------------|--------------------|--------------------|
| 2009 | 22.35% | 1.000 | 22.35% |
| 2010 | 6.94% | 1.000 | 6.94% |
| 2011 | 16.56% | 1.001 | 16.58% |
| 2012 | 7.16% | 1.003 | 7.18% |
| 2013 | 4.04% | 1.137 | 4.59% |

Allstate Insurance Group
Owners
Arkansas

Calculation of Severity Development Factors
Weather Peril
Paid Severity

| Fiscal Accident Year Ending 12/31 | 12 Months | 24 Months | 36 Months | 48 Months | 60 Months | 72 Months | 84 Months |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------|
| 2002 | | | | | | | 1,819 |
| 2003 | | | | | | 2,210 | 2,210 |
| 2004 | | | | | 2,412 | 2,412 | 2,412 |
| 2005 | | | | 3,010 | 3,010 | 3,012 | 3,013 |
| 2006 | | | 4,638 | 4,642 | 4,644 | 4,645 | 4,655 |
| 2007 | | 3,659 | 3,676 | 3,680 | 3,684 | 3,684 | 3,683 |
| 2008 | 4,328 | 4,458 | 4,472 | 4,474 | 4,474 | 4,490 | |
| 2009 | 3,155 | 3,308 | 3,312 | 3,312 | 3,313 | | |
| 2010 | 4,460 | 4,653 | 4,661 | 4,723 | | | |
| 2011 | 5,190 | 5,363 | 5,358 | | | | |
| 2012 | 3,944 | 3,542 | | | | | |
| 2013 | 3,895 | | | | | | |
| Link Ratios | | | | | | | |
| <u>Development</u> | <u>12 to 24</u> | <u>24 to 36</u> | <u>36 to 48</u> | <u>48 to 60</u> | <u>60 to 72</u> | <u>72 to 84</u> | |
| 4th Prior | 1.030 | 1.005 | 1.001 | 1.000 | 1.000 | 1.000 | |
| 3rd Prior | 1.049 | 1.003 | 1.001 | 1.001 | 1.001 | 1.000 | |
| 2nd Prior | 1.043 | 1.001 | 1.000 | 1.001 | 1.000 | 1.000 | |
| 1st Prior | 1.033 | 1.002 | 1.000 | 1.000 | 1.000 | 1.002 | |
| Latest | 0.898 | 0.999 | 1.013 | 1.000 | 1.004 | 1.000 | |
| 5 Year Average: | 1.011 | 1.002 | 1.003 | 1.000 | 1.001 | 1.000 | |
| Selected: | 1.011 | 1.002 | 1.003 | 1.000 | 1.001 | 1.000 | |

Selected Methodology

Link Ratio Method

| | | | | | |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Development Period (months): | <u>12 - 84</u> | <u>24 - 84</u> | <u>36 - 84</u> | <u>48 - 84</u> | <u>60 - 84</u> |
| Severity Development Factor: | 1.017 | 1.006 | 1.004 | 1.001 | 1.001 |

Allstate Property and Casualty Insurance Company

| Year | Paid Severity | Factor to Ultimate | Ultimate Severity |
|------|---------------|--------------------|-------------------|
| 2009 | 3,851.86 | 1.001 | 3,855.71 |
| 2010 | 5,020.07 | 1.001 | 5,025.09 |
| 2011 | 5,757.87 | 1.004 | 5,780.90 |
| 2012 | 3,674.36 | 1.006 | 3,696.40 |
| 2013 | 3,643.73 | 1.017 | 3,705.68 |

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Summary of Expense Provisions

| | Percent Fixed | Expense Provision |
|-----------------------|---------------|-------------------|
| Commissions | 0 % | 11.5 % |
| Taxes † | 0 | 3.2 |
| Licenses and Fees | 100 | 0.1 |
| Other Acquisition | 100 | 5.6 |
| General Expense | 100 | 5.3 |
| Debt Provision | 0 | 1.6 |
| Contingency Provision | 0 | 2.0 |
| Profit Provision | 0 | 8.6 |

† State Taxes - Does not include Federal Income Tax

ALLSTATE INSURANCE GROUP*

Countrywide Experience for General Expenses

| | General Expense** | | |
|--|-------------------|------------|------------|
| | 2010 | 2011 | 2012 |
| 1. Direct Premium Earned Less Reinsurance Premium*** | 21,675,897 | 21,446,326 | 21,394,426 |
| 2. General Expense Incurred | 1,018,249 | 1,124,637 | 1,303,235 |
| 3. Ratio (2)/(1) | 0.047 | 0.052 | 0.061 |
| 4. Three Year Average | | | 0.053 |
| 5. Proposed Provision | | | 0.053 |

* Allstate Insurance Company, Allstate Property and Casualty Insurance Company, Allstate Indemnity Company, Northbrook Indemnity Company, Allstate Fire & Casualty Insurance Company and Allstate County Mutual

** Data includes Personal Property Lines (excluding Earthquake) and Private Passenger Automobile Insurance

*** Premiums for Net Cost of Reinsurance (NCOR) do not include provisions for General Expenses. Therefore, direct premiums must be reduced by NCOR premiums to get the premium base upon which the general expense provision is applied.

(000's) omitted

ALLSTATE INSURANCE GROUP*

Personal Property Lines

Countrywide Experience for Other Acquisition Expenses*

| | Other Acquisition Expense | | |
|---|---------------------------|------------|------------|
| | 2010 | 2011 | 2012 |
| 1. Direct Premium Earned Less Reinsurance Premium** | 21,675,897 | 21,446,326 | 21,394,426 |
| 2. Other Acquisition Expense Incurred | 1,459,795 | 1,369,771 | 1,300,909 |
| 3. Ratio (2)/(1) | 0.0673 | 0.0639 | 0.0608 |
| 4. Three Year Average | | | 0.0640 |
| 5. Adjusted Three Year Average*** | | | 0.0559 |
| 6. Proposed Provision | | | 0.056 |

* Allstate Insurance Company, Allstate Property and Casualty Insurance Company, Allstate Indemnity Company, Northbrook Indemnity Company, Allstate Fire & Casualty and Allstate County Mutual. Data includes Personal Property Lines and Private Passenger Automobile Insurance

** Premiums for Net Cost of Reinsurance (NCOR) do not include provisions for General and Other Acquisition expenses. Therefore, direct premiums must be reduced by NCOR premiums to get the premium base upon which general and other acquisition expense provisions are applied.

*** Reduced by 0.97% to reflect the amount of Installment Fees collected for Allstate Insurance Group Personal Property Lines and includes a 0.17% provision for Allstate Insurance Group Personal Property Lines premiums written off.

(000's) omitted

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Factor to Adjust for Subsequent Change in Fixed Expense
(For calendar years 2010-2012)

| | |
|--|-----------|
| 1) Average Earned Date of Experience Period | 6/30/2011 |
| 2) Average Earned Date of Proposed Policy Period | 10/9/2015 |
| 3) Number of Years from (1) to (2) | 4.276 |
| 4) Selected Annual Impact | 2.00% |
| 5) Factor to Adjust for Subsequent Change in Fixed Expense [$1.0 + (4)$] ^ (3) | 1.088 |

Allstate Property and Casualty Insurance Company
Owners
Arkansas
Investment Income

Calculation of Present Value, as of the Average Earning Date of a
Policy Year, of all Income and Outgo @ 1.4% †force of interest,
assuming an Operating Profit of 5.90% and twelve month Policy
Terms

| Years From Start of Policy Year | Cumulative Percent of Losses Paid | Yearly Percent of Losses Paid | Time from Start of Policy Year | Discounted‡ to Average Time of Profit @ 1.4% | Discounted Payments |
|--|---|----------------------------------|-----------------------------------|---|------------------------|
| 1 | 38.5 % | 38.50 % | 0.70 | 1.004 | 38.7 % |
| 2 | 94.9 | 56.40 | 1.40 | 0.994 | 56.1 |
| 3 | 99.2 | 4.30 | 2.20 | 0.983 | 4.2 |
| 4 | 99.7 | 0.50 | 3.70 | 0.963 | 0.5 |
| 5 | 99.8 | 0.10 | 4.80 | 0.948 | 0.1 |
| Subsequent | 100.0 | 0.20 | 6.80 | 0.922 | 0.2 |
| Total | | | | | 99.8 % |
| Expected Losses and Loss Expense Ratio | | | | | 62.1 % |
| Present Value of Loss and Loss Expense Payments | | | | | 62.0 % |
| | | | | | |
| General Expense | | 5.3 % | 0.75 | 1.004 | 5.3 % |
| Other Acquisition | | 5.6 % | 0.63 | 1.005 | 5.6 % |
| Taxes | | 3.2 % | 0.77 | 1.003 | 3.2 % |
| Licenses and Fees | | 0.1 % | 0.77 | 1.003 | 0.1 % |
| Commissions | | 11.5 % | 0.58 | 1.006 | 11.6 % |
| Debt Provision | | 1.6 % | 1.00 | 1.000 | 1.6 % |
| Contingency Provision | | 2.0 % | 1.00 | 1.000 | 2.0 % |
| Profit | | 8.6 % | 1.00 | 1.000 | 8.6 % |
| Total Present Value of Outgo | | | | | 100.0 % |
| Premiums | 100.0 % | | 0.78 | 1.003 | 100.3 % |
| Difference, Present Value of Income Less Present Value of Outgo | | | | | 0.3 % |

†Discount rate from Investment Department forecast

‡exp (force of interest x (timing of profit being earned – timing of cash flow))

ALLSTATE INSURANCE GROUP

Contingency Factor Support
Personal Property Lines

Unexpected Loss Analysis (1996 - 2003)

| | |
|--------------------------------------|----------------|
| Unexpected Event Losses | 388,265,584 |
| Total 1996-2003 Non-catastrophe Loss | 13,106,665,945 |
| Percent of Loss | 3.0% |
| Percent Adjusted for Expenses | 2.6% |

Expected Loss Versus Actual Loss Analysis (1992 - 2008)

| | |
|--------------------------------------|----------------|
| Total Expected Losses | 27,812,571,837 |
| Total Actual Losses | 29,008,300,190 |
| Difference | 1,195,728,354 |
| Percentage Difference | 4.1% |
| Percent Adjusted for Expenses | 3.6% |

| | |
|--|-------------|
| Selected Contingency Provision: | 2.0% |
|--|-------------|

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Development of Projected Average Earned Premium

| Fiscal Year Ending | (1) Earned Exposures | (2) Earned Premium at Current Rates | (3) | (4) | (5) | (6) Experience Year Weights |
|---|-------------------------|---|--|--|--|-----------------------------------|
| | | | Factor to Adjust to Projected Premium Level | Projected Earned Premium at Current Rates (2) x (3) | Projected Average Earned Premium at Current Rates (4) / (1) | |
| 12/31/2013 | 30,620 | \$39,899,403 | 0.989 | \$39,460,510 | \$1,288.72 | 100 % |
| (7) Projected Average Earned Premium at Current Rates | | | | | \$1,288.72 | |

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Calculation of Premium and AIY Trend Factor

| | <u>Projected</u> |
|--------------------------------|------------------|
| Selected Annual Premium Impact | -0.50% |
| Selected Annual AIY Impact | 2.00% |

| | <u>Current Year</u> |
|--|---------------------|
| 1) Average Earned Date of Proposed Policy Period | 10/9/2015 |
| 2) Mid-Point of Current Year's Experience Period | 6/30/2013 |
| 3) Experience Period Ended | 12/31/2013 |
| 4) Midpoint of Experience Period | 6/30/2013 |
| 5) Historical: Number of Years from (4) to (2) | 0.000 |
| 6) Projected: Number of Years from (2) to (1) | 2.276 |

Calculation of Trend Factors

- (a) Historical Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)
- (b) Projected Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)
- (c) Factor to Adjust to Projected Premium Level = (a) x (b)

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Premium Trends

| Year Ending | Average Written Premium @ CRL | Annual Change | Exponential Curve of Best Fit | | |
|--|----------------------------------|---------------|-------------------------------|------------|------------|
| | | | 20 pt. | 12 pt. | 6 pt. |
| 03/09 | \$1,381.10 | 1.26 % | \$1,370.27 | | |
| 06/09 | 1,384.68 | 1.10 | 1,366.37 | | |
| 09/09 | 1,377.74 | 0.41 | 1,362.49 | | |
| 12/09 | 1,364.29 | -0.80 | 1,358.62 | | |
| 03/10 | 1,349.36 | -2.30 | 1,354.76 | | |
| 06/10 | 1,331.56 | -3.84 | 1,350.92 | | |
| 09/10 | 1,321.50 | -4.08 | 1,347.08 | | |
| 12/10 | 1,320.37 | -3.22 | 1,343.25 | | |
| 03/11 | 1,327.34 | -1.63 | 1,339.44 | \$1,340.02 | |
| 06/11 | 1,335.62 | 0.30 | 1,335.63 | 1,336.48 | |
| 09/11 | 1,341.82 | 1.54 | 1,331.84 | 1,332.95 | |
| 12/11 | 1,337.21 | 1.28 | 1,328.06 | 1,329.43 | |
| 03/12 | 1,330.98 | 0.27 | 1,324.28 | 1,325.91 | |
| 06/12 | 1,320.75 | -1.11 | 1,320.52 | 1,322.41 | |
| 09/12 | 1,317.04 | -1.85 | 1,316.77 | 1,318.91 | \$1,317.40 |
| 12/12 | 1,315.20 | -1.65 | 1,313.03 | 1,315.43 | 1,314.09 |
| 03/13 | 1,311.26 | -1.48 | 1,309.30 | 1,311.95 | 1,310.79 |
| 06/13 | 1,306.00 | -1.12 | 1,305.58 | 1,308.48 | 1,307.51 |
| 09/13 | 1,303.22 | -1.05 | 1,301.87 | 1,305.02 | 1,304.22 |
| 12/13 | 1,302.25 | -0.98 | 1,298.18 | 1,301.57 | 1,300.95 |
| Regression | | | 20 pt. | 12 pt. | 6 pt. |
| Avg Annual Percent Change Based on Best Fit: | | | -1.13% | -1.05% | -1.00% |

Allstate Property and Casualty Insurance Company
Owners
Arkansas

AIY Trends

| | | | Exponential Curve of Best Fit | | |
|--|--------|---------------|-------------------------------|--------|--------|
| Year Ending | AIY | Annual Change | 20 pt. | 12 pt. | 6 pt. |
| 03/09 | 186.41 | 1.75 % | 184.58 | | |
| 06/09 | 186.47 | 1.51 | 185.20 | | |
| 09/09 | 186.60 | 1.11 | 185.82 | | |
| 12/09 | 186.97 | 0.71 | 186.45 | | |
| 03/10 | 186.81 | 0.21 | 187.07 | | |
| 06/10 | 187.00 | 0.28 | 187.70 | | |
| 09/10 | 187.38 | 0.42 | 188.33 | | |
| 12/10 | 187.32 | 0.19 | 188.97 | | |
| 03/11 | 188.15 | 0.72 | 189.60 | 188.39 | |
| 06/11 | 189.20 | 1.18 | 190.24 | 189.23 | |
| 09/11 | 190.14 | 1.47 | 190.88 | 190.08 | |
| 12/11 | 191.06 | 2.00 | 191.52 | 190.92 | |
| 03/12 | 191.84 | 1.96 | 192.16 | 191.77 | |
| 06/12 | 192.91 | 1.96 | 192.81 | 192.63 | |
| 09/12 | 193.93 | 1.99 | 193.46 | 193.49 | 193.42 |
| 12/12 | 194.15 | 1.62 | 194.11 | 194.35 | 194.29 |
| 03/13 | 194.76 | 1.52 | 194.76 | 195.22 | 195.17 |
| 06/13 | 195.68 | 1.44 | 195.41 | 196.09 | 196.04 |
| 09/13 | 196.88 | 1.52 | 196.07 | 196.96 | 196.92 |
| 12/13 | 198.26 | 2.12 | 196.73 | 197.84 | 197.81 |
| Regression | | | 20 pt. | 12 pt. | 6 pt. |
| Avg Annual Percent Change Based on Best Fit: | | | 1.35% | 1.79% | 1.81% |

Allstate Insurance Group
Owners
Arkansas

Calculation of Hurricane Provision Per AIY

| (1) Calendar Year | (2) Amount of Insurance Years | (3) Hurricane Incurred Loss | (4) Hurricane Damage Ratio |
|--|--|--|---|
| 1994 | 2,724,363 | 0 | 0.000 |
| 1995 | 2,811,400 | 0 | 0.000 |
| 1996 | 2,902,531 | 0 | 0.000 |
| 1997 | 3,060,318 | 0 | 0.000 |
| 1998 | 3,209,377 | 0 | 0.000 |
| 1999 | 3,229,207 | 0 | 0.000 |
| 2000 | 3,313,371 | 0 | 0.000 |
| 2001 | 3,480,822 | 0 | 0.000 |
| 2002 | 3,831,204 | 7,984 | 0.002 |
| 2003 | 4,375,955 | 580 | 0.000 |
| 2004 | 5,168,560 | 0 | 0.000 |
| 2005 | 6,090,328 | 469,009 | 0.077 |
| 2006 | 7,198,275 | 70,583 | 0.010 |
| 2007 | 8,633,590 | 56,944 | 0.007 |
| 2008 | 9,460,454 | 4,993,336 | 0.528 |
| 2009 | 9,970,261 | 521,406 | 0.052 |
| 2010 | 9,773,260 | 93,529 | 0.010 |
| 2011 | 9,493,760 | 4,946 | 0.001 |
| 2012 | 8,861,551 | 328,492 | 0.037 |
| 2013 | 8,325,080 | 92,830 | 0.011 |
| Total | 115,913,667 | 6,639,640 | 0.057 |

(5) Hurricane Provision Per AIY 0.057

(6) Indicated Hurricane Provision Per AIY Including LAE Based on 20 Years of Historical Data 0.067

(7) Indicated Modeled Hurricane Provision Per AIY including LAE 0.037

(8) Selected Hurricane Provision Per AIY Including LAE 0.067

Allstate Property and Casualty Insurance Company
Owners
Arkansas

Development of Provision for Hurricane Loss and LAE and Retained Risk

| | |
|---|-----------|
| 1) Selected Hurricane Provision Per AIY Including All LAE | 0.067 |
| 2) Indicated Retained Risk Provision Per AIY | 0.181 |
| 3) Selected Retained Risk Provision Per AIY | 0.000 |
| 4) Earned Exposures | 30,620 |
| 5) Earned AIY | 6,013,821 |
| 6) Average Earned AIY (5)/(4) | 196.40 |
| 7) Factor to Adjust to Projected Average AIY Level | 1.046 |
| 8) Average AIY Projected to 10/9/2015 (6)*(7) | 205.43 |
| 9) Proportion of High-Layer Retained Modeled Losses to Total Modeled Losses | 0.847 |
| 10) Expected Hurricane Pure Premium (1)*(8) | \$13.76 |
| a) Low-Layer Retained and Ceded Hurricane Pure Premium $[1 - (9)]*(10 \text{ Total})$ | \$2.11 |
| b) High-Layer Retained Hurricane Pure Premium $(9)*(10 \text{ Total})$ | \$11.65 |
| 11) Selected Retained Risk Provision (3)*(8) | \$0.00 |

*1 AIY = One Amount of Insurance Years = \$1000 of Coverage in Force for One Year

**ALLSTATE INSURANCE GROUP
OWNERS
ARKANSAS
DETERMINATION OF THE INDICATED REINSURANCE RATE ADJUSTMENT FACTOR**

2013

| | |
|---|-----------|
| 1. Reinsurance Premium | \$390,354 |
| a. Reinsurance Premium for Nationwide Contract | \$390,354 |
| 2. Loss Savings Due to Reinsurance | \$81,870 |
| a. Loss Savings Due to Reinsurance for Nationwide Contract | \$81,870 |
| 3. Net Cost of Reinsurance: (1) - (2) | \$308,484 |
| 4. Variable Expenses | 24.9% |
| 5. Net Cost of Reinsurance Including Variable Expenses: (3) / [1 - (4)] | \$410,764 |
| 6. Adjusted AIYs x Current Reinsurance Base Charges | \$487,327 |
| 7. Indicated Reinsurance Rate Adjustment Factor (5) / (6) | 0.843 |

| | <u>Current</u> | <u>Indicated</u> | <u>Proposed</u> | <u>Indicated Percent Change</u> | <u>Proposed Percent Change</u> |
|---|-----------------------|-------------------------|------------------------|--|---|
| Proposed Change in Reinsurance Rate Adjustment Factor | 1.081 | 0.843 | 1.081 | -22.0% | 0.0% |

ATTACHMENT VII

Rating Plan Changes

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

RATING PLAN CHANGES

With this revision, Allstate is proposing to further segment its rating plan based on Arkansas Owners Allstate Property and Casualty Insurance Company loss experience from accident years ending December 31, 2011 to 2013, evaluated December 31, 2013. Allstate limited the amount of segmentation that could have been merited to keep the maximum individual impact of this filing under 25.0%.

Town Class

Below are the Loss Ratio Relativities (LRR) based on incurred non-catastrophe loss ratios by group for Town Class.

| Town Class | Loss Ratio | LRR |
|-------------------|-------------------|------------|
| 1-6 | 58.5% | 0.91 |
| 7-10 | 38.4% | 1.39 |

The Town Class 7-10 factors were multiplied by a factor of 1.02 to produce the following proposed factors:

| Construction | Town Class | Current Factor | Proposed Factor | % Change to Factor |
|---------------------|-------------------|-----------------------|------------------------|---------------------------|
| Brick | 1 | 0.830 | 0.830 | 0.0% |
| Brick | 2 | 0.900 | 0.900 | 0.0% |
| Brick | 3 | 0.910 | 0.910 | 0.0% |
| Brick | 4 | 0.920 | 0.920 | 0.0% |
| Brick | 5 | 0.920 | 0.920 | 0.0% |
| Brick | 6 | 0.930 | 0.930 | 0.0% |
| Brick | 7 | 0.990 | 1.010 | 2.0% |
| Brick | 8 | 1.020 | 1.040 | 2.0% |
| Brick | 9 | 1.110 | 1.132 | 2.0% |
| Brick | 10 | 1.160 | 1.183 | 2.0% |
| Frame | 1 | 1.000 | 1.000 | 0.0% |
| Frame | 2 | 1.010 | 1.010 | 0.0% |
| Frame | 3 | 1.010 | 1.010 | 0.0% |
| Frame | 4 | 1.030 | 1.030 | 0.0% |
| Frame | 5 | 1.080 | 1.080 | 0.0% |
| Frame | 6 | 1.120 | 1.120 | 0.0% |
| Frame | 7 | 1.220 | 1.244 | 2.0% |
| Frame | 8 | 1.310 | 1.336 | 2.0% |
| Frame | 9 | 1.320 | 1.346 | 2.0% |
| Frame | 10 | 1.350 | 1.377 | 2.0% |

Rating Group

Below are the Loss Ratio Relativities based on incurred non-catastrophe loss ratios by group for Rating Group.

| Rating Group | Loss Ratio | LRR |
|--------------|------------|------|
| 1-18 | 35.9% | 0.85 |
| 19-30 | 78.9% | 1.88 |

The Rating Group 1-18 factors were divided by a factor of 1.02 to produce the following proposed factors:

| Rating Group | Current Factor | Proposed Factor | % Change to Factor |
|--------------|----------------|-----------------|--------------------|
| 1 | 0.4000 | 0.3922 | -2.0% |
| 2 | 0.4000 | 0.3922 | -2.0% |
| 3 | 0.4000 | 0.3922 | -2.0% |
| 4 | 0.4600 | 0.4510 | -2.0% |
| 5 | 0.4600 | 0.4510 | -2.0% |
| 6 | 0.4600 | 0.4510 | -2.0% |
| 7 | 0.4900 | 0.4804 | -2.0% |
| 8 | 0.4900 | 0.4804 | -2.0% |
| 9 | 0.4900 | 0.4804 | -2.0% |
| 10 | 0.5400 | 0.5294 | -2.0% |
| 11 | 0.5400 | 0.5294 | -2.0% |
| 12 | 0.5400 | 0.5294 | -2.0% |
| 13 | 0.6000 | 0.5882 | -2.0% |
| 14 | 0.6000 | 0.5882 | -2.0% |
| 15 | 0.6000 | 0.5882 | -2.0% |
| 16 | 0.6500 | 0.6373 | -2.0% |
| 17 | 0.6500 | 0.6373 | -2.0% |
| 18 | 0.6500 | 0.6373 | -2.0% |
| 19 | 0.7300 | 0.7300 | 0.0% |
| 20 | 0.7300 | 0.7300 | 0.0% |
| 21 | 0.7300 | 0.7300 | 0.0% |
| 22 | 0.8200 | 0.8200 | 0.0% |
| 23 | 0.8200 | 0.8200 | 0.0% |
| 24 | 0.8200 | 0.8200 | 0.0% |
| 25 | 0.8800 | 0.8800 | 0.0% |
| 26 | 0.8800 | 0.8800 | 0.0% |
| 27 | 0.8800 | 0.8800 | 0.0% |
| 28 | 1.0000 | 1.0000 | 0.0% |
| 29 | 1.0000 | 1.0000 | 0.0% |
| 30 | 1.0000 | 1.0000 | 0.0% |

ATTACHMENT VIII

Rate Level Impact of Revisions

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

RATE LEVEL IMPACT OF REVISIONS

The impacts shown below have been measured using an extension of exposures method and a snapshot of policyholders in Allstate Property and Casualty Insurance Company.

Revision of the Rate Adjustment Factor

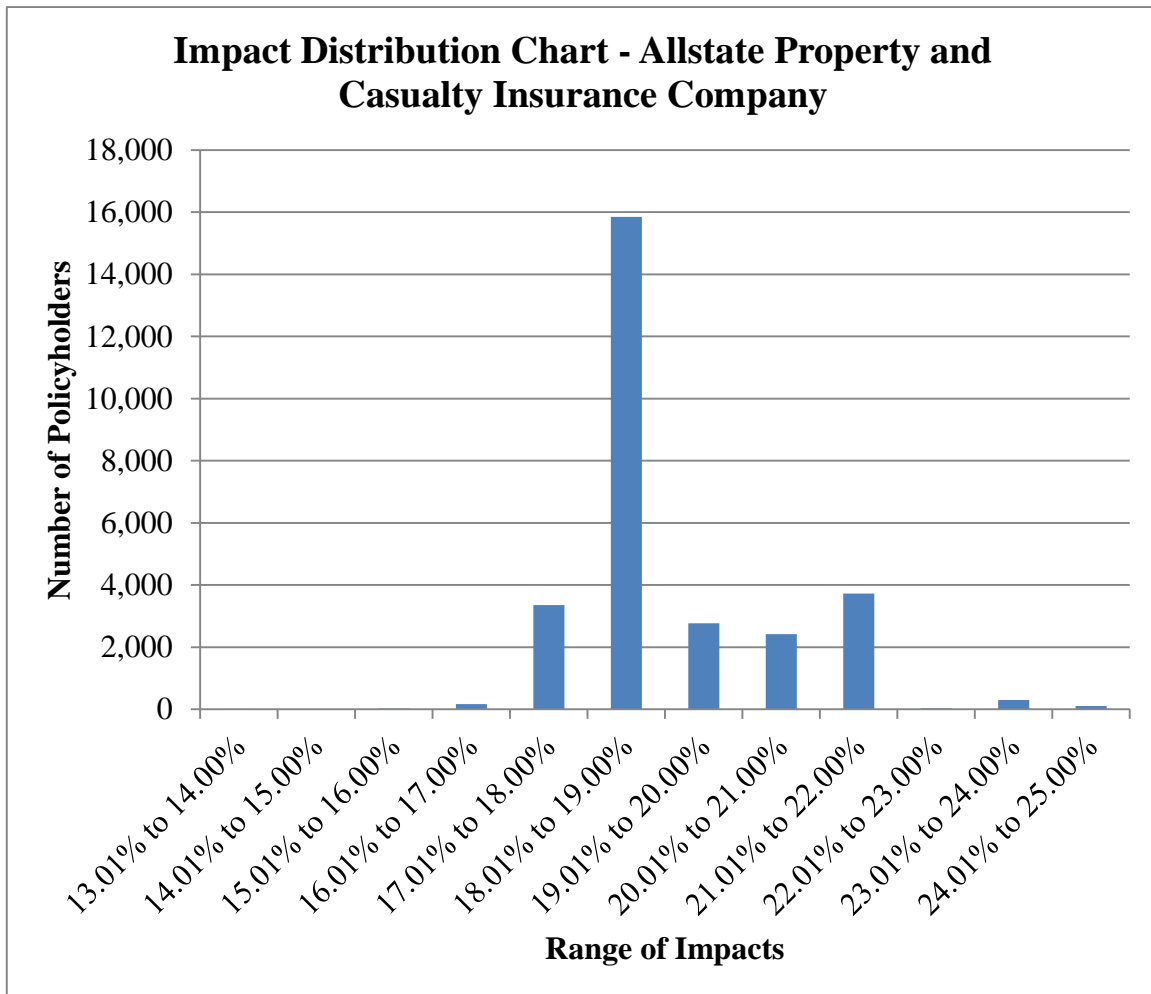
To achieve the proposed rate level change for the rating program, the Rate Adjustment Factors (RAF) will be revised. The proposed Rate Adjustment Factors will achieve the selected rate level change on a variable package premium basis as shown in **Attachment VI Exhibit 1.0**.

| Policy Form | Current RAF | Proposed RAF | Total Owners Rate Level Impact |
|----------------------------------|--------------------|---------------------|---------------------------------------|
| Homeowners and Select Homeowners | 2.1110 | 2.5854 | 19.2% |
| Combined | | | 19.2% |

An impact distribution chart has been provided on Page 2 of this Attachment.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

IMPACT DISTRIBUTION CHART



ATTACHMENT IX

Summary of Manual Changes

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

SUMMARY OF MANUAL CHANGES

Rule Manual:

- | | |
|----------|--|
| HOPC16-1 | ▪ Added sentence “This discount is not applicable to dwellings in the course of construction” in Rule 16 – 55 and Retired Discount. Please note this is a clerical revision. |
| HOPC25-1 | ▪ Replaced “Allstate Floridian” with “Castle Key” in Rule 25 – Claim Rating. Please note this is a clerical revision. |

Rates Manual:

- | | |
|------------------------|--|
| RFP-2 | ▪ Revised Town Class Factors |
| RFP-4 through RFP-7 | ▪ Revised Rate Adjustment Factors and Claim Rating Factors |



June 6, 2014

**RE: Allstate Property and Casualty Insurance Company
Arkansas
Company File: R26787**

Please find below our responses to your objections submitted on May 28th, 2014 in reviewing the current filing for Allstate Property and Casualty Insurance Company.

Objection 1

Actuarial Support (Supporting Document)

Comments:

Please provide an explanation for the changes being applied to the town class factors given the loss ratio for classes 1-6 is 58.5% and 7-10 is 38.4%.

The Loss Ratio's provided were reversed for these town class groups, while the Loss Ratio Relativities provided were correct. A corrected table is provided below.

| Town Class | Loss Ratio | LRR |
|------------|------------|------|
| 1-6 | 38.4% | 0.91 |
| 7-10 | 58.5% | 1.39 |

Objection 2

Please refer to our confidential response.

**RE: Allstate Property and Casualty Insurance Company
Arkansas Owners
Company File # R26787 A#1**

In compliance with the Arkansas Insurance Department's request, Allstate will amend the filing to be an overall rate increase of 10.0%. In order to achieve an overall 10.0% rate increase, Allstate is revising the Rate Adjustment Factors, Town Class factors, and Claim Rating factors. Please see the attached Actuarial Support, revised Manual Pages, Checking List, revised form HPCS, and RF-1 Rate Filing Abstract for additional support.

This amended filing will apply to renewals processed on or after 8/25/2014 for renewals effective on or after 10/9/2014.

Attachment I

Actuarial Support

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

With this revision, Allstate is proposing to further segment its rating plan based on Arkansas Owners Allstate Property and Casualty Insurance Company loss experience from accident years ending December 31, 2011 to 2013, evaluated December 31, 2013. Allstate limited the amount of segmentation that could have been merited to keep the maximum individual impact of this filing under 25.0%.

Town Class

Below are the Loss Ratio Relativities (LRR) based on incurred non-catastrophe loss ratios by group for Town Class.

| Town Class | Loss Ratio | LRR |
|-------------------|-------------------|------------|
| 1-6 | 38.4% | 0.91 |
| 7-10 | 58.5% | 1.39 |

The Town Class 7-10 factors were multiplied by a factor of 1.07 to produce the following proposed factors:

| Construction | Town Class | Current Factor | Proposed Factor | % Change to Factor |
|---------------------|-------------------|-----------------------|------------------------|---------------------------|
| Brick | 1 | 0.830 | 0.830 | 0.0% |
| Brick | 2 | 0.900 | 0.900 | 0.0% |
| Brick | 3 | 0.910 | 0.910 | 0.0% |
| Brick | 4 | 0.920 | 0.920 | 0.0% |
| Brick | 5 | 0.920 | 0.920 | 0.0% |
| Brick | 6 | 0.930 | 0.930 | 0.0% |
| Brick | 7 | 0.990 | 1.059 | 7.0% |
| Brick | 8 | 1.020 | 1.091 | 7.0% |
| Brick | 9 | 1.110 | 1.188 | 7.0% |
| Brick | 10 | 1.160 | 1.241 | 7.0% |
| Frame | 1 | 1.000 | 1.000 | 0.0% |
| Frame | 2 | 1.010 | 1.010 | 0.0% |
| Frame | 3 | 1.010 | 1.010 | 0.0% |
| Frame | 4 | 1.030 | 1.030 | 0.0% |
| Frame | 5 | 1.080 | 1.080 | 0.0% |
| Frame | 6 | 1.120 | 1.120 | 0.0% |
| Frame | 7 | 1.220 | 1.305 | 7.0% |
| Frame | 8 | 1.310 | 1.402 | 7.0% |
| Frame | 9 | 1.320 | 1.412 | 7.0% |
| Frame | 10 | 1.350 | 1.445 | 7.0% |

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

Rating Group

Below are the Loss Ratio Relativities based on incurred non-catastrophe loss ratios by group for Rating Group.

| Rating Group | Loss Ratio | LRR |
|--------------|------------|------|
| 1-18 | 35.9% | 0.85 |
| 19-30 | 78.9% | 1.88 |

The Rating Group 1-18 factors were divided by a factor of 1.07 to produce the following proposed factors:

| Rating Group | Current Factor | Proposed Factor | % Change to Factor |
|--------------|----------------|-----------------|--------------------|
| 1 | 0.4000 | 0.3738 | -6.6% |
| 2 | 0.4000 | 0.3738 | -6.6% |
| 3 | 0.4000 | 0.3738 | -6.6% |
| 4 | 0.4600 | 0.4299 | -6.5% |
| 5 | 0.4600 | 0.4299 | -6.5% |
| 6 | 0.4600 | 0.4299 | -6.5% |
| 7 | 0.4900 | 0.4579 | -6.6% |
| 8 | 0.4900 | 0.4579 | -6.6% |
| 9 | 0.4900 | 0.4579 | -6.6% |
| 10 | 0.5400 | 0.5047 | -6.5% |
| 11 | 0.5400 | 0.5047 | -6.5% |
| 12 | 0.5400 | 0.5047 | -6.5% |
| 13 | 0.6000 | 0.5607 | -6.6% |
| 14 | 0.6000 | 0.5607 | -6.6% |
| 15 | 0.6000 | 0.5607 | -6.6% |
| 16 | 0.6500 | 0.6075 | -6.5% |
| 17 | 0.6500 | 0.6075 | -6.5% |
| 18 | 0.6500 | 0.6075 | -6.5% |
| 19 | 0.7300 | 0.7300 | 0.0% |
| 20 | 0.7300 | 0.7300 | 0.0% |
| 21 | 0.7300 | 0.7300 | 0.0% |
| 22 | 0.8200 | 0.8200 | 0.0% |
| 23 | 0.8200 | 0.8200 | 0.0% |
| 24 | 0.8200 | 0.8200 | 0.0% |
| 25 | 0.8800 | 0.8800 | 0.0% |
| 26 | 0.8800 | 0.8800 | 0.0% |
| 27 | 0.8800 | 0.8800 | 0.0% |
| 28 | 1.0000 | 1.0000 | 0.0% |
| 29 | 1.0000 | 1.0000 | 0.0% |
| 30 | 1.0000 | 1.0000 | 0.0% |

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**

RATE LEVEL IMPACT OF REVISIONS

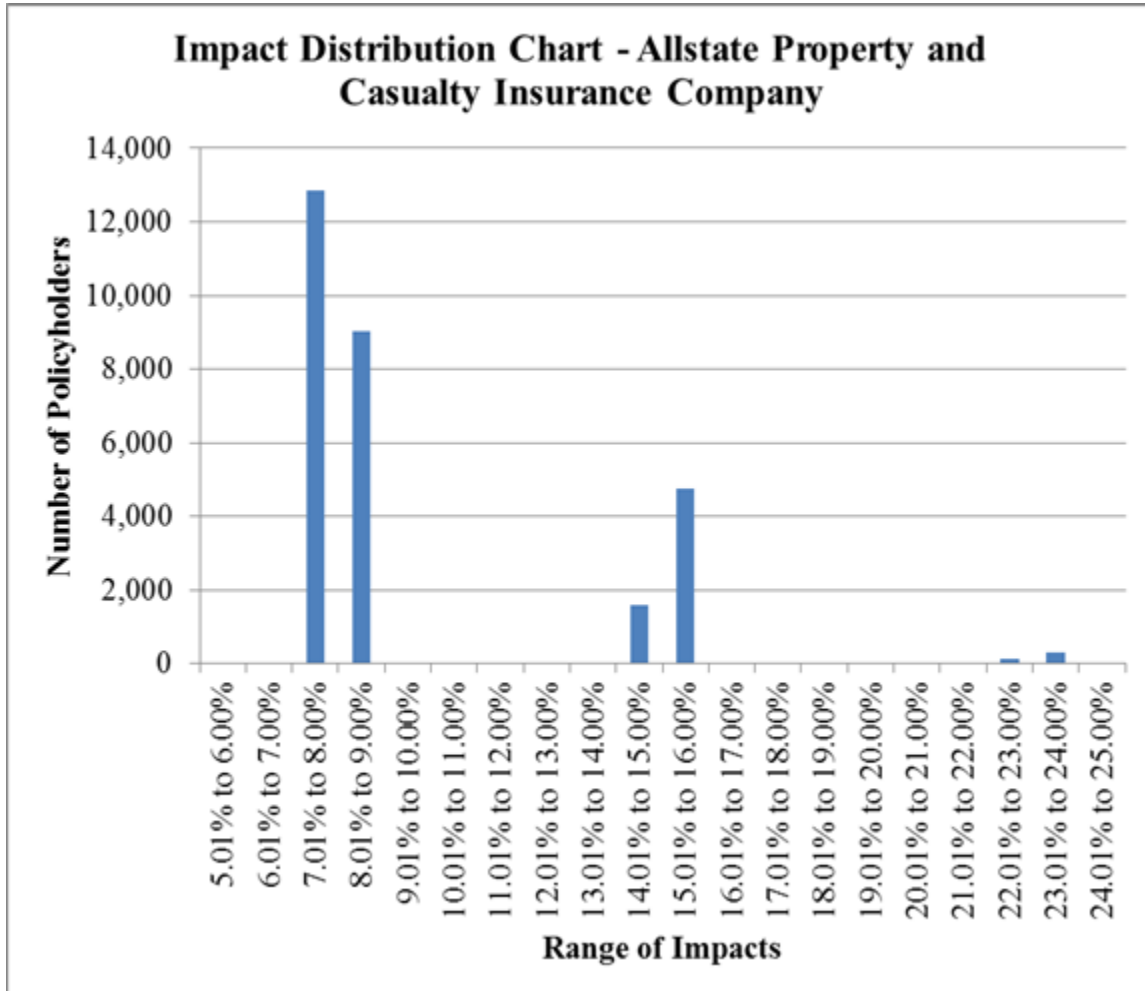
The impacts shown below have been measured using an extension of exposures method and a snapshot of policyholders in Allstate Property and Casualty Insurance Company.

Revision of the Rate Adjustment Factor

To achieve the proposed rate level change for the rating program, the Rate Adjustment Factors (RAF) will be revised. The proposed Rate Adjustment Factors will achieve the selected rate level change on a variable package premium basis as shown in **Attachment I Exhibit 1**.

| Policy Form | Current RAF | Proposed RAF | Total Owners Rate Level Impact |
|----------------------------------|--------------------|---------------------|---------------------------------------|
| Homeowners and Select Homeowners | 2.1110 | 2.4522 | 10.1% |
| Combined | | | |

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
OWNERS
ARKANSAS**



Allstate Property and Casualty Insurance Company
Owners
Arkansas

Summary of Rate Level Changes

| | Premium Distribution at Current Rates | Indicated Change | Selected Change |
|--------------------------------|---|---------------------|--------------------|
| Variable Package Premium | 91.6% | N/A | 10.9% |
| Fixed Expense Premium | 4.9% | N/A | N/C |
| Additional Coverages | 2.7% | N/A | N/C |
| Total Owners (non-NCOR) | 99.1% | 21.7% | 10.1% |
| NCOR* | 0.9% | -22.0% | N/C |
| Total Owners | 100.0% | 21.3% | 10.0% |

*NCOR = Net Cost of Reinsurance

| | | | |
|-----------------------------|---|------------------------|--|
| State: | Arkansas | Filing Company: | Allstate Property and Casualty Insurance Company |
| TOI/Sub-TOI: | 04.0 Homeowners/04.0003 Owner Occupied Homeowners | | |
| Product Name: | APC HO Rate Change | | |
| Project Name/Number: | Rate Change (19.0%)/1650527 | | |

Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

| Creation Date | Schedule Item Status | Schedule | Schedule Item Name | Replacement Creation Date | Attached Document(s) |
|---------------|----------------------|---------------------|---|---------------------------|--|
| 05/14/2014 | | Rate | ManualR26787 | 07/25/2014 | Manual_-_R26787.pdf (Superseded) |
| 05/14/2014 | | Supporting Document | HPCS-Homeowners Premium Comparison Survey | 07/25/2014 | HO_Survey_FORM_HPCS.xls (Superseded) HO_Survey_FORM_HPCS.pdf (Superseded) |
| 05/14/2014 | | Supporting Document | NAIC loss cost data entry document | 07/25/2014 | FORM_RF-1_Rate_Filing_Abstract.pdf (Superseded) |

RULE 16 - 55 AND RETIRED DISCOUNT

If the following criteria are met, multiply the otherwise applicable package premium by the factor displayed on the Rate Factor Pages.

1. One of the Named Insureds must be age 55 or older.
2. Both the Named Insured and Spouse, if any, are not presently gainfully employed full time or actively seeking full time gainful employment.
3. The insured premises must be the principal residence of the applicant.

Note: This discount is not applicable to dwellings in the course of construction.

RULE 25 - CLAIM RATING

A factor (as shown in the Rate Factor Pages) will be applied to the otherwise applicable package premium based on a policyholder's chargeable claim experience. Determination of the chargeability of claims and reclassification due to the time elapsed since claims became chargeable will occur at each renewal.

Definition of a Qualifying Company: A Qualifying Company is defined as Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Allstate Fire and Casualty Insurance Company, Castle Key Insurance Company, Castle Key Indemnity Company, Allstate County Mutual Insurance Company, and Allstate Texas Lloyd's.

Administration of claim rating:

Claim Rating Factors: The rating criteria utilized on the tables are as follows:

1. Number of claims
2. Claim type:
 - Group A:
 - Fire - fire, explosion, smoke (excluding lightning).
 - Theft – theft (on and off premises), mysterious disappearance (on and off premises), burglary, credit card fidelity, theft from an unattended vehicle.
 - Liability – any type of liability (excluding medical payments).
 - Vandalism – vandalism and malicious mischief, riot and civil commotion.
 - Group B:
 - All Other Claims – excluding the following types of claims: medical payments, worker's compensation, mine subsidence, earthquake, Allstate Scheduled Personal Property, and those claim types listed in Group A and C.
 - Group C:
 - Water – water, freeze, and water backup. Note: only those water claims identified for claim rating that were not previously assigned to Group B.
3. Rating Group as defined in Rule 24

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

1C Town Class Factor:

| <u>T/C</u> <u>Group</u> | <u>Town Class</u> | <u>Construction</u> | |
|----------------------------|-------------------|---------------------|--------------|
| | | <u>Brick</u> | <u>Frame</u> |
| 1 | 1 | 0.83 | 1.00 |
| | 2 | 0.90 | 1.01 |
| | 3 | 0.91 | 1.01 |
| | 4 | 0.92 | 1.03 |
| | 5 | 0.92 | 1.08 |
| | 6 | 0.93 | 1.12 |
| | 7 | 1.010 | 1.244 |
| | 8 | 1.040 | 1.336 |
| | 9 | 1.132 | 1.346 |
| | 10 | 1.183 | 1.377 |

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

2 Rate Adjustment Factor:

Factor: 2.5854

3 Claim Rating Factor:

To calculate the claim rating factor for additional B claims or C claims, start with the factor for Group A claims and Total of Group B and C claims factor and multiply it by the factor for Each Additional B or C claim located below the table (round to 3 decimal places). Note that the factors will be different for each rating group table.

Example using Rating Group 1:

| | | | |
|--|-------|---|--------------|
| 0 Group A claims, 0 B claim & 2 C claim factor: | 0.515 | | |
| Each additional B claim factor: | 1.000 | | |
| Each additional C claim factor: | 1.190 | | |
| Resulting claim rating factor for each additional B claim: | 0.513 | = | 0.513 x 1.00 |
| Resulting claim rating factor for each additional C claim: | 0.610 | = | 0.513 x 1.19 |

Rating Groups 1-3

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.392 | 0.529 | 0.731 | 1.008 | 1.391 | 1.850 |
| 1 | 0 | 1 | 0.392 | 0.529 | 0.731 | 1.008 | 1.391 | 1.850 |
| 1 | 1 | 0 | 0.431 | 0.582 | 0.804 | 1.109 | 1.531 | 1.850 |
| 2 | 0 | 2 | 0.392 | 0.529 | 0.731 | 1.008 | 1.391 | 1.850 |
| 2 | 1 | 1 | 0.431 | 0.582 | 0.804 | 1.109 | 1.531 | 1.850 |
| 2 | 2 | 0 | 0.513 | 0.693 | 0.956 | 1.320 | 1.821 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 4-6

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.451 | 0.609 | 0.840 | 1.159 | 1.600 | 1.850 |
| 1 | 0 | 1 | 0.451 | 0.609 | 0.840 | 1.159 | 1.600 | 1.850 |
| 1 | 1 | 0 | 0.496 | 0.670 | 0.924 | 1.275 | 1.760 | 1.850 |
| 2 | 0 | 2 | 0.451 | 0.609 | 0.840 | 1.159 | 1.600 | 1.850 |
| 2 | 1 | 1 | 0.496 | 0.670 | 0.924 | 1.275 | 1.760 | 1.850 |
| 2 | 2 | 0 | 0.590 | 0.797 | 1.100 | 1.518 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 7-9

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.480 | 0.649 | 0.895 | 1.235 | 1.704 | 1.850 |
| 1 | 0 | 1 | 0.480 | 0.649 | 0.895 | 1.235 | 1.704 | 1.850 |
| 1 | 1 | 0 | 0.528 | 0.713 | 0.984 | 1.359 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.480 | 0.649 | 0.895 | 1.235 | 1.704 | 1.850 |
| 2 | 1 | 1 | 0.528 | 0.713 | 0.984 | 1.359 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.629 | 0.849 | 1.172 | 1.617 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

3 cont. Claim Rating Factor:

Rating Groups 10-12

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.529 | 0.715 | 0.986 | 1.361 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.529 | 0.715 | 0.986 | 1.361 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.582 | 0.786 | 1.085 | 1.497 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.529 | 0.715 | 0.986 | 1.361 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.582 | 0.786 | 1.085 | 1.497 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.693 | 0.936 | 1.291 | 1.782 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 13-15

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.588 | 0.794 | 1.096 | 1.512 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.588 | 0.794 | 1.096 | 1.512 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.647 | 0.873 | 1.205 | 1.663 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.588 | 0.794 | 1.096 | 1.512 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.647 | 0.873 | 1.205 | 1.663 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.770 | 1.039 | 1.434 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 16-18

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.637 | 0.860 | 1.187 | 1.638 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.637 | 0.860 | 1.187 | 1.638 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.701 | 0.946 | 1.306 | 1.802 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.637 | 0.860 | 1.187 | 1.638 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.701 | 0.946 | 1.306 | 1.802 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.834 | 1.126 | 1.554 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

**ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES**

**Order in
Calculation**

3 cont. Claim Rating Factor:

Rating Groups 19-21

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.730 | 0.986 | 1.360 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.730 | 0.986 | 1.360 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.803 | 1.084 | 1.496 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.730 | 0.986 | 1.360 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.803 | 1.084 | 1.496 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 0.956 | 1.290 | 1.780 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 22-24

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.820 | 1.107 | 1.528 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.820 | 1.107 | 1.528 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.902 | 1.218 | 1.680 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.820 | 1.107 | 1.528 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.902 | 1.218 | 1.680 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 1.073 | 1.449 | 1.850 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

Rating Groups 25-27

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 0.880 | 1.188 | 1.639 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 0.880 | 1.188 | 1.639 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 0.968 | 1.307 | 1.803 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 0.880 | 1.188 | 1.639 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 0.968 | 1.307 | 1.803 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 1.152 | 1.555 | 1.850 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

ARKANSAS
HOMEOWNERS
RATE FACTOR PAGES

Order in
Calculation

3 cont. Claim Rating Factor:

Rating Groups 28-30

of Chargeable Claims in the past 3 years

| | | | Group A | | | | | |
|---------------------|--------|--------|---------|-------|-------|-------|-------|-------|
| | | | 0 | 1 | 2 | 3 | 4 | 5 |
| Total Group B and C | # of C | # of B | | | | | | |
| 0 | 0 | 0 | 1.000 | 1.350 | 1.850 | 1.850 | 1.850 | 1.850 |
| 1 | 0 | 1 | 1.000 | 1.350 | 1.850 | 1.850 | 1.850 | 1.850 |
| 1 | 1 | 0 | 1.100 | 1.485 | 1.850 | 1.850 | 1.850 | 1.850 |
| 2 | 0 | 2 | 1.000 | 1.350 | 1.850 | 1.850 | 1.850 | 1.850 |
| 2 | 1 | 1 | 1.100 | 1.485 | 1.850 | 1.850 | 1.850 | 1.850 |
| 2 | 2 | 0 | 1.309 | 1.767 | 1.850 | 1.850 | 1.850 | 1.850 |

Each Additional Chargeable Group A Claim - apply factor of 1.380 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group B Claim - apply factor of 1.000 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.
Each Additional Chargeable Group C Claim - apply factor of 1.190 to the claim rating factor. The overall Claim Rating Factor shall not exceed 1.85.

NAIC Number:

17230

Company Name:

Allstate Property and Casualty Insurance Company

Contact Person:

Kristin Zambreno

Telephone No.:

847-402-9347

Email Address:

kzamc@allstate.com

Effective Date:

8.25.2014

Homeowners Premium Comparision Survey Form

FORM HPCS - last modified August, 2005

Submit to:

Arkansas Insurance Department

1200 West Third Street

Little Rock, AR 72201-1904

Telephone:

501-371-2800

Email as an attachment to:

insurance.pnc@arkansas.gov

You may also attach to a SERFF filing or submit on a cdr disk

USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK

Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)

| Public Protection Class | Dwelling Value | Washington | | Baxter | | Craighead | | St. Francis | | Desha | | Union | | Miller | | Sebastian | | Pulaski | |
|-------------------------|----------------|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame |
| 3 | \$80,000 | \$857.05 | \$943.42 | \$1,029.78 | \$1,135.09 | \$1,029.78 | \$1,135.09 | \$1,061.38 | \$1,170.21 | \$740.49 | \$814.22 | \$740.49 | \$814.22 | \$991.85 | \$1,092.97 | \$772.79 | \$849.32 | \$807.20 | \$887.94 |
| | \$120,000 | \$1,051.68 | \$1,158.61 | \$1,265.55 | \$1,396.57 | \$1,265.55 | \$1,396.57 | \$1,305.21 | \$1,440.48 | \$905.79 | \$997.85 | \$905.79 | \$997.85 | \$1,218.82 | \$1,344.17 | \$946.16 | \$1,041.76 | \$988.65 | \$1,089.21 |
| | \$160,000 | \$1,219.19 | \$1,344.63 | \$1,469.36 | \$1,622.60 | \$1,469.36 | \$1,622.60 | \$1,514.97 | \$1,673.91 | \$1,048.86 | \$1,155.75 | \$1,048.86 | \$1,155.75 | \$1,414.48 | \$1,561.30 | \$1,095.90 | \$1,207.80 | \$1,145.79 | \$1,263.39 |
| 6 | \$80,000 | \$874.60 | \$1,038.20 | \$1,050.84 | \$1,250.96 | \$1,050.84 | \$1,250.96 | \$1,083.13 | \$1,290.28 | \$755.23 | \$894.97 | \$755.23 | \$894.97 | \$1,012.23 | \$1,203.91 | \$788.25 | \$934.28 | \$822.64 | \$976.41 |
| | \$120,000 | \$1,072.92 | \$1,276.88 | \$1,291.75 | \$1,540.33 | \$1,291.75 | \$1,540.33 | \$1,332.12 | \$1,589.90 | \$924.92 | \$1,098.42 | \$924.92 | \$1,098.42 | \$1,243.59 | \$1,482.96 | \$965.28 | \$1,147.28 | \$1,008.47 | \$1,199.69 |
| | \$160,000 | \$1,244.14 | \$1,482.19 | \$1,500.00 | \$1,790.80 | \$1,500.00 | \$1,790.80 | \$1,547.04 | \$1,847.82 | \$1,070.95 | \$1,273.37 | \$1,070.95 | \$1,273.37 | \$1,443.70 | \$1,723.09 | \$1,117.99 | \$1,331.09 | \$1,169.31 | \$1,392.40 |
| 9 | \$80,000 | \$1,048.73 | \$1,234.10 | \$1,263.60 | \$1,488.98 | \$1,263.60 | \$1,488.98 | \$1,302.91 | \$1,536.03 | \$904.09 | \$1,062.08 | \$904.09 | \$1,062.08 | \$1,216.54 | \$1,432.81 | \$943.42 | \$1,109.11 | \$986.24 | \$1,158.97 |
| | \$120,000 | \$1,289.62 | \$1,519.79 | \$1,556.61 | \$1,837.06 | \$1,556.61 | \$1,837.06 | \$1,605.49 | \$1,895.84 | \$1,109.05 | \$1,305.92 | \$1,109.05 | \$1,305.92 | \$1,497.84 | \$1,767.65 | \$1,158.61 | \$1,364.00 | \$1,211.73 | \$1,427.02 |
| | \$160,000 | \$1,497.87 | \$1,766.56 | \$1,809.32 | \$2,137.18 | \$1,809.32 | \$2,137.18 | \$1,866.35 | \$2,205.60 | \$1,286.90 | \$1,516.40 | \$1,286.90 | \$1,516.40 | \$1,740.91 | \$2,055.92 | \$1,344.63 | \$1,584.81 | \$1,406.64 | \$1,657.52 |

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

| Public Protection Class | Property Value | Washington | | Baxter | | Craighead | | St. Francis | | Arkansas | | Union | | Miller | | Sebastian | | Pulaski | |
|-------------------------|----------------|------------|-------|--------|-------|-----------|-------|-------------|-------|----------|-------|-------|-------|--------|-------|-----------|-------|---------|-------|
| | | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame |
| 3 | \$5,000 | | | | | | | | | | | | | | | | | | |
| | \$15,000 | | | | | | | | | | | | | | | | | | |
| | \$25,000 | | | | | | | | | | | | | | | | | | |
| 6 | \$5,000 | | | | | | | | | | | | | | | | | | |
| | \$15,000 | | | | | | | | | | | | | | | | | | |
| | \$25,000 | | | | | | | | | | | | | | | | | | |
| 9 | \$5,000 | | | | | | | | | | | | | | | | | | |
| | \$15,000 | | | | | | | | | | | | | | | | | | |
| | \$25,000 | | | | | | | | | | | | | | | | | | |

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

| Public Protection Class | Dwelling Value | Washington | | Baxter | | Craighead | | St. Francis | | Arkansas | | Union | | Miller | | Sebastian | | Pulaski | |
|-------------------------|----------------|------------|-------|--------|-------|-----------|-------|-------------|-------|----------|-------|-------|-------|--------|-------|-----------|-------|---------|-------|
| | | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame | Brick | Frame |
| 3 | \$80,000 | | | | | | | | | | | | | | | | | | |
| | \$120,000 | | | | | | | | | | | | | | | | | | |
| | \$160,000 | | | | | | | | | | | | | | | | | | |
| 6 | \$80,000 | | | | | | | | | | | | | | | | | | |
| | \$120,000 | | | | | | | | | | | | | | | | | | |
| | \$160,000 | | | | | | | | | | | | | | | | | | |
| 9 | \$80,000 | | | | | | | | | | | | | | | | | | |
| | \$120,000 | | | | | | | | | | | | | | | | | | |
| | \$160,000 | | | | | | | | | | | | | | | | | | |

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher

3

%

Burglar Alarm

3

%

Smoke Alarm

3

%

Deadbolt Lock

3

%

Window Locks

%

\$1,000 Deductible

5-22

%

Other (specify)

Complete Central Burglar

4

%

Maximum Credit Allowed

%

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this coverage

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?

No

(yes or no)

WHAT IS YOUR PERCENTAGE DEDUCTIBLE?

%

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?

Zone

Highest Risk

\$

Brick

Frame

Lowest Risk

\$

NAIC LOSS COST DATA ENTRY DOCUMENT

| | | |
|----|---|--------|
| 1. | This filing transmittal is part of Company Tracking # | R26787 |
|----|---|--------|

| | | |
|----|---|--|
| 2. | If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number | |
|----|---|--|

| | | | |
|----|--------------|--|---------------------|
| | Company Name | | Company NAIC Number |
| 3. | A. | Allstate Property and Casualty Insurance Company | B. 17230 |

| | | | |
|----|--|------------|---|
| | Product Coding Matrix Line of Business (i.e., Type of Insurance) | | Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance) |
| 4. | A. | Homeowners | B. Owners |

5.

| (A) COVERAGE (See Instructions) | (B) Indicated % Rate Level Change | (C) Requested % Rate Level Change | FOR LOSS COSTS ONLY | | | | |
|---------------------------------------|--|--|-------------------------------|--|--|---|---|
| | | | (D) Expected Loss Ratio | (E) Loss Cost Modification Factor | (F) Selected Loss Cost Multiplier | (G) Expense Constant (If Applicable) | (H) Co. Current Loss Cost Multiplier |
| Homeowners | 21.3% | 19.0% | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL OVERALL EFFECT | 21.3% | 19.0% | | | | | |

6.

5 Year History

Rate Change History

| Year | Policy Count | % of Change | Effective Date | State Earned Premium (000) | Incurred Losses (000) | State Loss Ratio | Countrywide Loss Ratio |
|------|--------------|----------------|-------------------|----------------------------------|-----------------------------|------------------------|---------------------------|
| 2009 | 32,136 | 27.7% | 6/1/09 | 25,996,374 | 36,097,988 | 1.39 | 0.54 |
| 2010 | 33,882 | N/A | N/A | 31,684,601 | 23,953,276 | 0.76 | 0.90 |
| 2011 | 34,192 | 10.0% | 8/8/11 | 33,333,642 | 40,225,694 | 1.21 | 0.91 |
| 2012 | 32,270 | 19.9% | 8/13/12 | 33,541,867 | 20,978,782 | 0.63 | 0.58 |
| 2013 | 30,620 | 5.0% | 8/19/13 | 36,489,125 | 14,528,940 | 0.40 | 0.52 |
| | | | | | | | |
| | | | | | | | |

7.

| Expense Constants | Selected Provisions |
|---|------------------------|
| A. Total Production Expense | 5.6% |
| B. General Expense | 5.3% |
| C. Taxes, License & Fees | 3.3% |
| D. Underwriting Profit & Contingencies | 8.6% |
| E. Other (Commissions/Debt) | 13.1% |
| F. TOTAL | 36.3% |

8. N Apply Lost Cost Factors to Future filings? (Y or N) reference last year

9. 24.5% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____

10. 13.8% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____